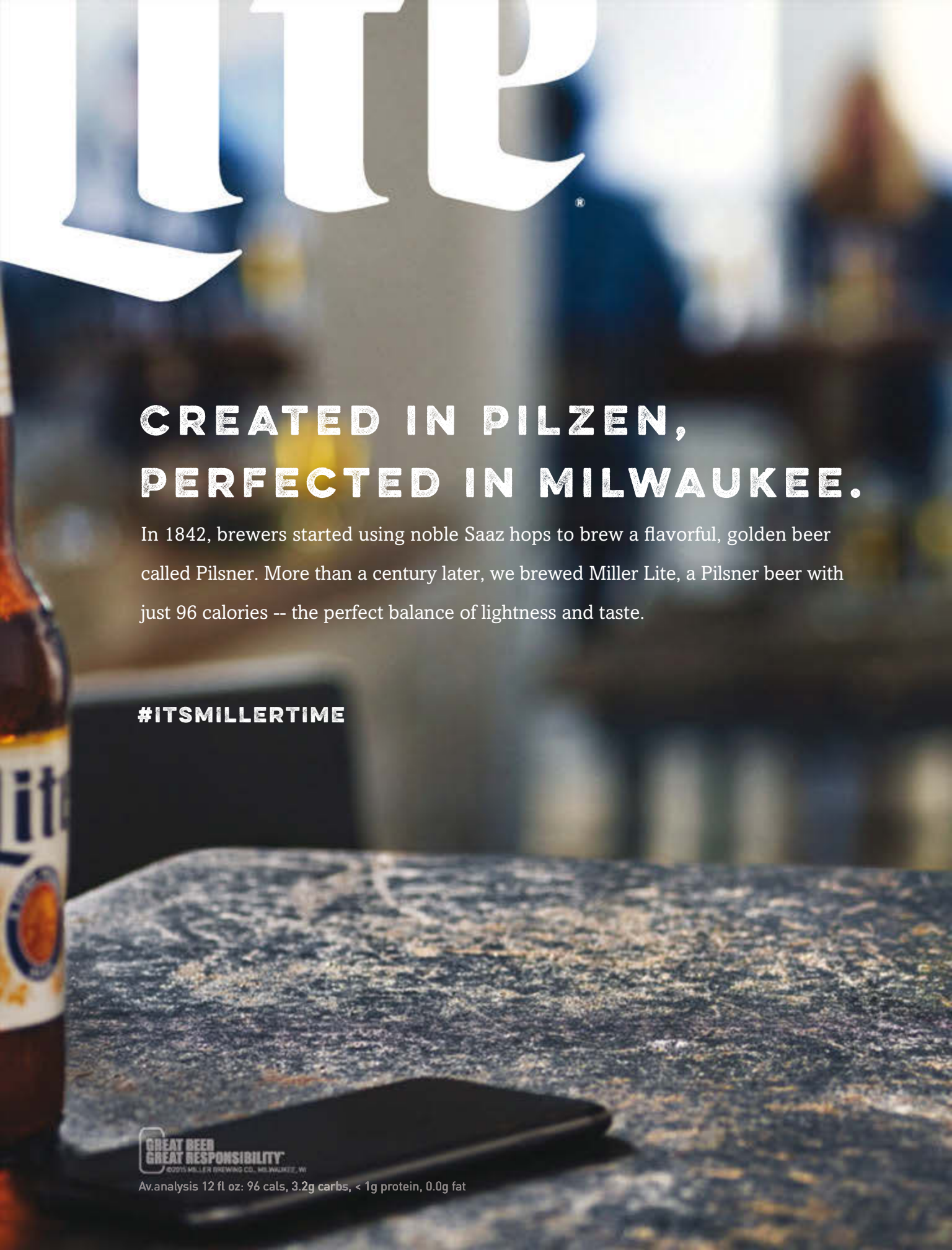

THESE GREAT COMPANIES HAVE
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lite
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PERFECTED IN MILWAUKEE.
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Lite
A FINE PILSNER
BEER

©2015 Porsche Cars North America, Inc. Porsche recommends seat belt usage and observance of all traffic laws at all times. 2015 Cayenne S acceleration of 0–60 mph in 5.1 seconds with optional Sport Chrono package.



Porsche recommends Mobil 1 and MICHELIN

porscheusa.com/cayenne

Adept at moving things. Your soul, for instance.

In 2003, Porsche redefined what a sports car can be with the introduction of the Cayenne. Since then, each new generation of the Cayenne has been more powerful, more efficient and more innovative than the last. The 2015 Cayenne S continues the evolution, with a new 420 hp twin-turbo V6, a top track speed of 161 mph and a 0–60 time of 5.1 seconds with Sport Chrono. With this kind of power, it's hard not to be moved. Porsche. There is no substitute.

The 2015 Porsche Cayenne

PORSCHE

THE 100 Best COMPANIES TO WORK FOR



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COURTESY OF PANASONIC; DOLLAR SHAVE CLUB; MICHAEL LEWIS


A STAR ALLIANCE MEMBER
Tight deadlines.
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Soft landing.
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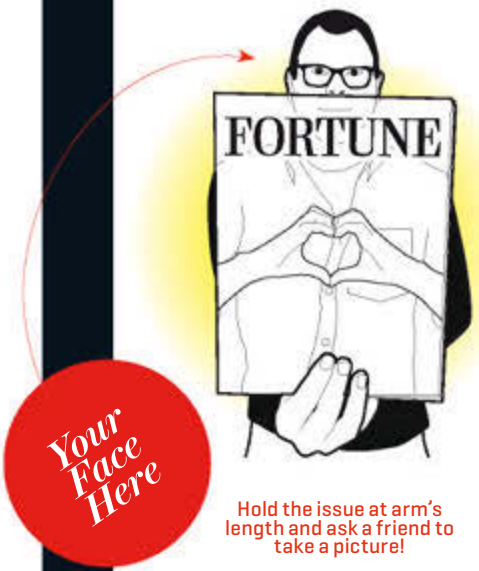
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The Secretive Snack Company That Warren Buffett Loves

UTZ POTATO STIX ARE A STAPLE IN WARREN BUFFETT'S STRANGE DAILY DIET. THE BERKSHIRE HATHAWAY CEO TALKS EXCLUSIVELY TO *FORTUNE* ABOUT WHY HE CONSIDERED BUYING UTZ, A FAST-GROWING PENNSYLVANIA-BASED SNACK MAKER THAT IS PRIVATELY HELD AND, SAYS UTZ CEO DYLAN LISSETTE, PLANS TO STAY THAT WAY. GO TO **FORTUNE.COM/BUFFETTUTZ.**

YOU AND YOUR *FORTUNE*



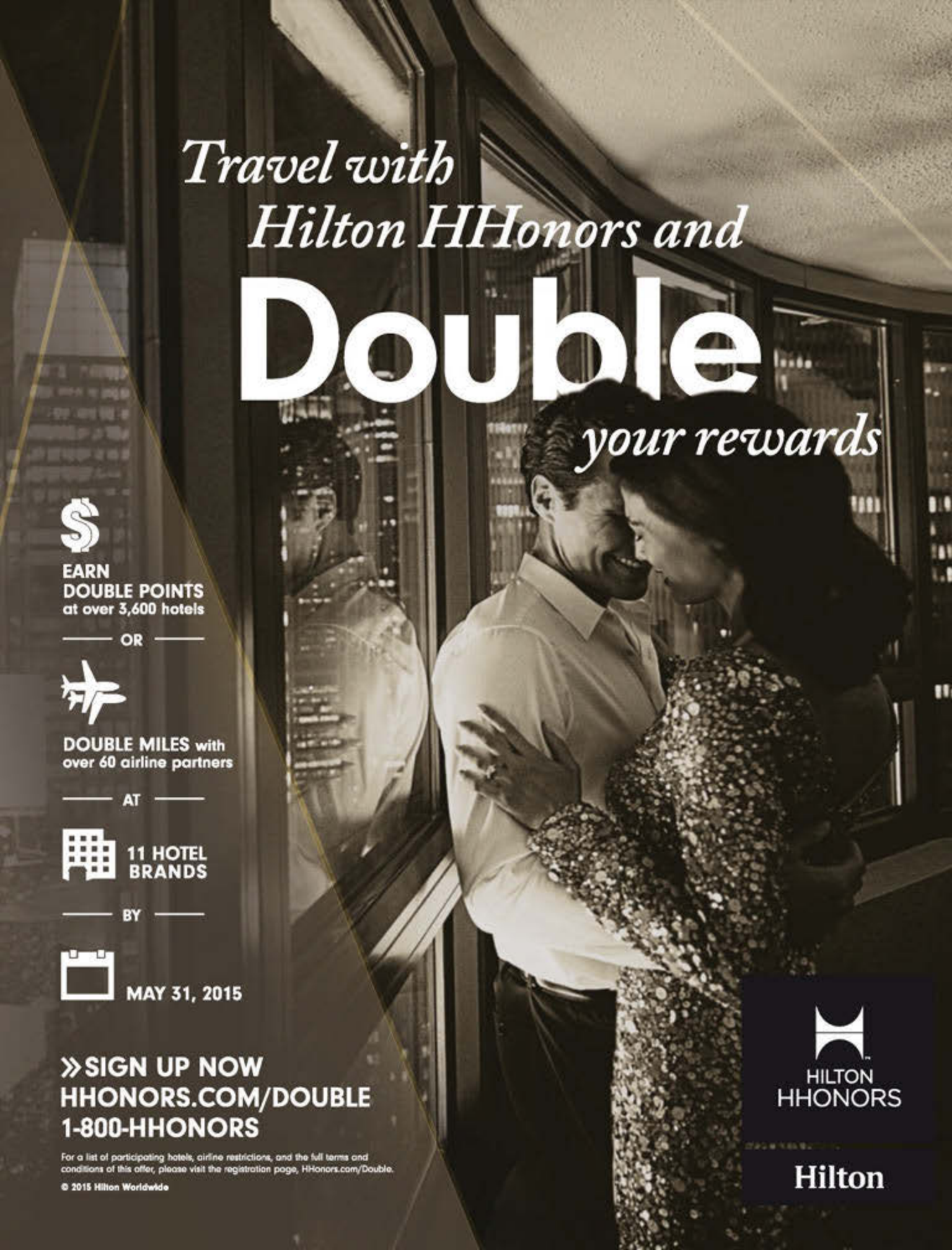
Hold the issue at arm's length and ask a friend to take a picture!

We want to have some fun with our new cover art, the cover you're holding in your hands. We've done this before, with great results—just search #fortunememe on Twitter. We want to do it again, with your help. Take a photo holding the issue as shown. Line it up just right. Then send it our way by email (letters@fortune.com) or on Twitter (#fortuneface and alert us @fortunemagazine). We'll share some of the best ones online and on this page in our next issue. Hey, just call us one of the 100 Best Magazines to Pose For.

JEFF KOWALSKY—GETTY IMAGES

PLUS: WORK IT

You spend a large part of your life at the office. You might as well work somewhere with great perks, culture, and salaries. The 2015 Best Companies to Work For list is even bigger online, with three times the data on every company, from how many applications each job opening receives to the amount of paid time off and the number of new college grads hired. Find the whole list at fortune.com/bestcompanies.


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COMPANY SPOTLIGHT



ACTIVISION BLIZZARD: THE MOST FUN WORKPLACE IN AMERICA

Fun, creativity and operational excellence rule at this creator of some of the world's most successful entertainment franchises.

IF YOU'RE A NEW HIRE WHO ISN'T A GAMER at Activision Blizzard's Santa Monica headquarters, a game producer takes you to the Gaming Zone and puts you through the n00b 101 program ("n00b" is a gaming term for "newbie").

At its heart, Activision Blizzard is in the business of making fun. And with that as a starting point, it has created an employee culture that celebrates fun, creativity, and operational excellence in everything it touches.

The strategy is clearly working, as Activision Blizzard has produced some of the most successful and beloved franchises ever, including Call of Duty, World of Warcraft, Skylanders, and Diablo. The entertainment company employs over 7,000 people around the world and generated more than $4.8 billion in net revenues last year.

"Our journey over the last 25 years has been incredible," says CEO Bobby Kotick. "In our early days, I remember selling the office furniture just to make payroll. Today, we're one of the largest and most successful entertainment companies in the world."

The company's offices encourage creativity and innovation—from the communal cafeteria table where a game of Hearthstone is always in play, to the company library dedicated to all things pop culture, to the true-to-life zombie hallway. Employees are never short of inspiration while they're dreaming of next-gen cinematics.

"We have always considered Activision Blizzard to be one of the greatest places to work," says Kotick. "To be recognized for it by others is gratifying and rewarding, but being acknowledged as a great place to work by the people who work here means more to me than just about anything."

94%

of employees feel this is a friendly place to work.

94%

of employees are proud to tell others they work here.

91%

of employees feel people are willing to give extra to get the job done.

SOURCE: 2014 Great Place to Work.® Trust Index® Employee Survey



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FORTUNE 100 BEST COMPANIES TO WORK FOR 2015

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What Do Millennials Want?



THIS IS THE YEAR the millennial generation—ages 18 to 34—will surpass the baby-boom generation in size. It has already done so in cultural and social significance. We boomers grew accustomed to the notion, forged over decades, that we drove the zeitgeist of our times. No more. Millennials rule.

That's certainly true in the workplace (see our coverage of the 100 Best Companies to Work For, beginning on page 97). Any discussion of talent quickly devolves into a dissection of the millennial mind. Managers struggle with preconceptions. Must millennials change jobs every two years? Do they require constant reinforcement, after a childhood of "everybody's a winner"? Do they need a "chill" workplace? Free food? Foosball?

Many of the popular notions are pure myth. Some busted ones:

MILLENNIALS WANT TO CHANGE JOBS FREQUENTLY.
Wrong. A study by my former colleagues at the Pew Research Center shows that millennials actually value job security more highly than boomers do. But they won't stay at a job they don't like. Some 50% of millennials say having a "job you enjoy" is "extremely important" to them, compared with just 38% of boomers.

MONEY DOESN'T MATTER.
Maybe. The Pew study found that millennials put "a high-paying job" near the bottom of their list of work priorities—but so do other generations, in roughly equal numbers. Count me a skeptic on all counts. What people say when surveyed over the phone and how they act when an offer is on the table are different things.

EVERY MILLENNIAL WANTS TO BE AN ENTREPRENEUR.
They may all want to be Mark Zuckerberg, but it's not happening. A recent *Wall Street Journal* analysis of Federal Reserve data shows the share of people under age 30 who own private businesses has hit a 24-year low—just 3.6%, down from 10.6% in 1989.

Still, there is no doubt that this generation is different. It is the most diverse in American history—43% nonwhite—and more confident about the nation's future than older generations. That's a reverse from the 1970s, when young boomers were considerably less optimistic than their elders. Millennials also are slower to get married than earlier generations and less likely to belong to a political party—which may make their employer, by default, the most important institutional affiliation in their lives.

The biggest difference is not who they are, but how they live. They are the ones most comfortable with the new human appendage—the smartphone—that lets them stay connected to a vast network of friends and provides instant access to information, both good and bad. They are quickest to adapt to the ways in which the mobile Internet is changing the fundamental logistics of their lives, and the first to demand the workplace do the same.

So pay attention. The millennials aren't spoiled products of a coddled past. They are harbingers of our connected future.



ALAN MURRAY
Editor
@alansmurray

We had some fun developing cover looks for this issue. The full-size versions are inside. Let us know what you think.









WESLEY MANN

FROM LEFT TO RIGHT: TYPOGRAPHY BY **RDN STUDIO, ANDREAS MARTINI, TXABER, PETER TARKA**



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COMPANY SPOTLIGHT

O.C. TANNER: IN THE BUSINESS OF REWARDING GREAT WORK

When employee recognition is a company's entire reason for being, it's natural to wonder how well it does with its own workers. If that company is **O.C. Tanner**, the answer is: outstanding.

"WHEN YOU WALK OUR HALLS any time of the day, it's likely you'll hear some clapping," explains CEO David Petersen. "Because some team or individual is almost always being recognized for going above and beyond."

The Salt Lake City–based company develops global strategic employee recognition solutions. This includes leader training, brand-name merchandise, custom award design and manufacturing, and cloud-based SaaS technology for rewarding and tracking appreciation—all to help organizations reward employees. Back in 1927, company founder Obert C. Tanner believed that when companies recognize employees who achieve, it inspires individuals to accomplish things they didn't know they could.

That spirit is alive today at the company, which has 1,600 employees and does business with thousands of customers in 150 countries. Petersen says the "secret sauce" to O.C. Tanner's own high employee satisfaction ratings is that, at its core, it's a people-affirming business. "Everything we create here, every award, trophy, or reward, is eventually given away," he says. "Our employees know the work they do is going to wind up in a setting where someone is being thanked for doing something valuable. That's a pretty great feeling."

When it comes to shining a light on O.C. Tanner employees, the company is its own best customer. Or as Petersen puts it: "Yes, we walk the walk." One of the company's more recent offerings, Yearbook, is a web and print-on-demand product that lets leaders and co-workers upload photos and stories to create a celebration among friends for each career anniversary. The company also has a robust "above and beyond" performance recognition program through which O.C. Tanner employees can nominate one another for a job well done.

Perhaps the program that garners the most employee satisfaction and pride is the company's longstanding corporate giving initiative. Petersen points out that the money doesn't come from a separate foundation; rather, each year the company contributes 10% of pretax income to several dozen organizations in and around Salt Lake City that address the arts, education, poverty, and the environment.

"Our people love it because whenever O.C. Tanner creates something good in the community, they feel such a strong connection to it," Petersen says. "They know their great work directly contributed to that outcome, and it just rubs off on us all in the best possible way."

15.1
-YEARS-
The average tenure for employees.

93%
Percentage of employees who feel O.C. Tanner is a friendly place to work.

4
There have only been four CEOs in the company's 87-year history.

SOURCE: 2014 Great Place to Work.® Trust Index® Employee Survey


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Our employee recognition solutions ignite human accomplishment.
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COMPANY SPOTLIGHT

MORE HAPPINESS, MORE REVENUE: RYAN'S STORY

This Dallas-based tax services firm launched an innovative work environment to prioritize results over hours worked. Now its 2,000 employees thrive both personally and professionally.

GLOBAL TAX SERVICES FIRM RYAN LLC HAS DISCOVERED the secret to skyrocketing client satisfaction: employee happiness. The company provides incredible workplace flexibility for its 2,000 global associates in exchange for personal accountability for results—and the bottom-line benefits have been eye-opening.

Ryan has become one of the most attractive places to work in the nation, and for two reasons. First is the overall personnel philosophy: Ryan structures its business to challenge and energize its departments. "This isn't a boring place to work," says Delta Emerson, Ryan's president of Global Shared Services. "We take a very creative approach to what we do, and we manage by results."

Second, to further enhance its appeal, the company introduced a progressive flexible-schedule program called MyRyan. Employees are allowed to work when, where, and how they choose. They set their own hours and methods, and the company focuses on the results of the effort, not on how many hours are clocked.

While conceptually simple, developing and executing the program has been a nuanced study. After two and a half years in development, the company had to ensure that the strategy would work and that measures were in place to manage resistance or potential inefficiency. What would a successful rollout actually look like? How would it evolve? "The key was open communication with managers and staff," Emerson explains. "How would we track progress? What were the signs that it wasn't working?"

The results have been tremendous. In the years since MyRyan launched, the company has seen employee satisfaction and efficiency rise, along with client satisfaction—and, by extension, revenue growth. Employees have worked harder than ever, and their passion and enthusiasm have increased; their work-life balance is the best it has ever been. "You can go to a soccer game with your kids without feeling guilty about it," Emerson says. "Our people blend personal and professional lives. They now tell us that it's such a great gift that they want to maintain this for their entire career. They can't imagine working anywhere else." ●

156%

HEADCOUNT INCREASED BY 156%, AND AVERAGE VOLUNTARY TURNOVER FOR 2014 WAS 10.33%, COMPARED WITH 18.53% IN 2007 –BEFORE MYRYAN.

"In exchange for incredible flexibility and freedom comes the responsibility and accountability for producing results."

–G. BRINT RYAN, CEO, RYAN

98

–PERCENT–

At 98%, client satisfaction ratings are at their highest in Ryan's 23-year history.

SOURCE: Ovent, Inc., January 2014



Ryan is setting the industry gold standard for workplace innovation.

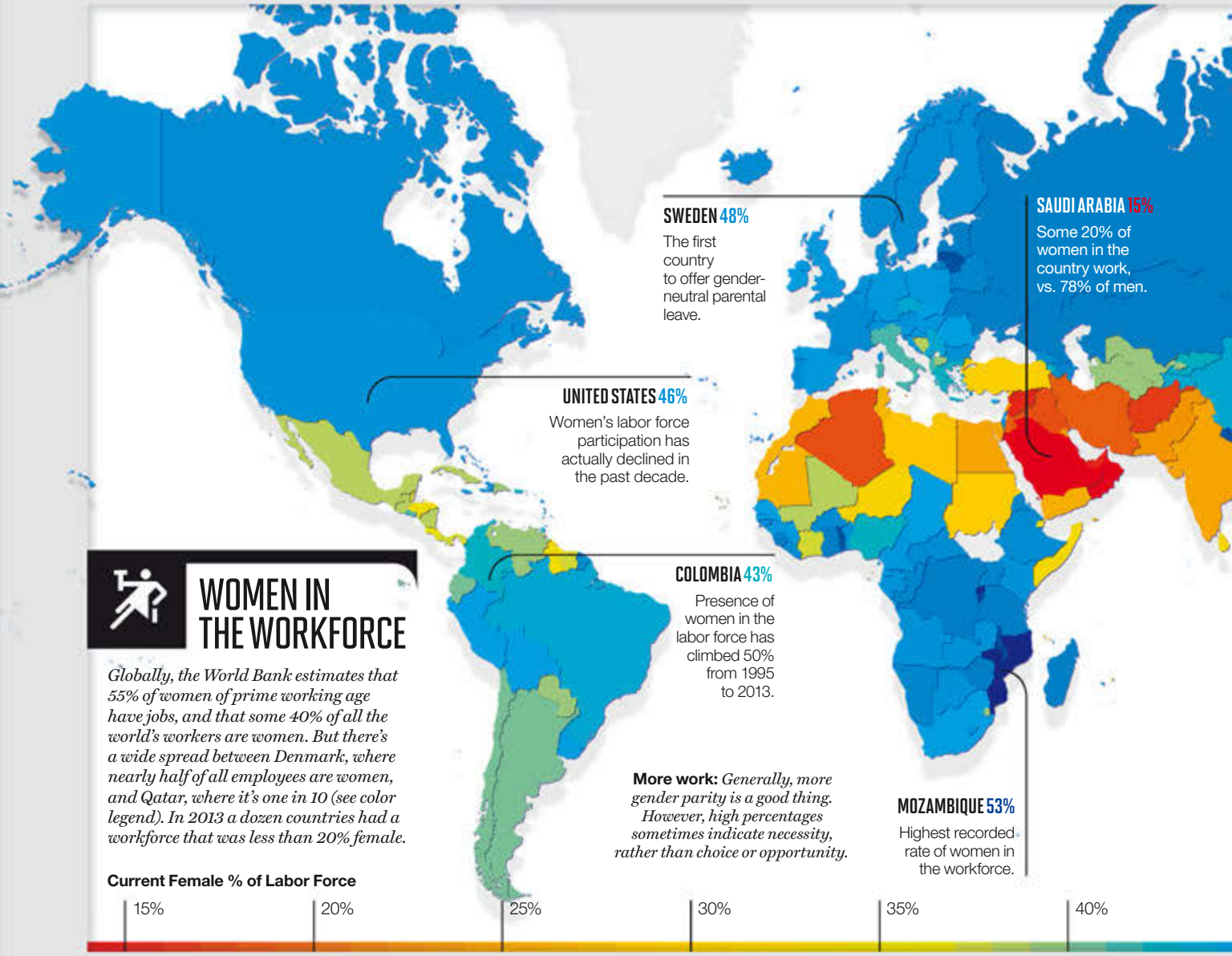
Guided by our Firm values and an unwavering commitment to client service excellence, Ryan's internationally recognized work environment is setting the industry gold standard for workplace innovation. We empower our associates with incredible workplace freedom, outstanding benefits, and world-class training and employee development programs. Our associates have responded in exchange by embracing personal accountability for results, leading our industry into a new era of business productivity through workplace flexibility. At Ryan, your talent is encouraged, your abilities are challenged, and your expertise is rewarded. Learn more about exciting career opportunities with Ryan at **ryan.com/careers**.

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WOMEN IN THE WORKFORCE

Globally, the World Bank estimates that 55% of women of prime working age have jobs, and that some 40% of all the world's workers are women. But there's a wide spread between Denmark, where nearly half of all employees are women, and Qatar, where it's one in 10 (see color legend). In 2013 a dozen countries had a workforce that was less than 20% female.

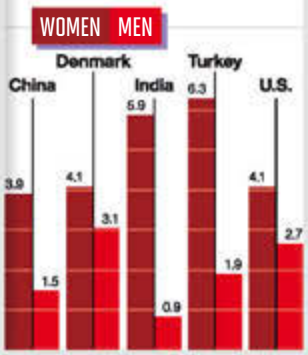
More work: *Generally, more gender parity is a good thing. However, high percentages sometimes indicate necessity, rather than choice or opportunity.*

Current Female % of Labor Force

15% | 20% | 25% | 30% | 35% | 40%

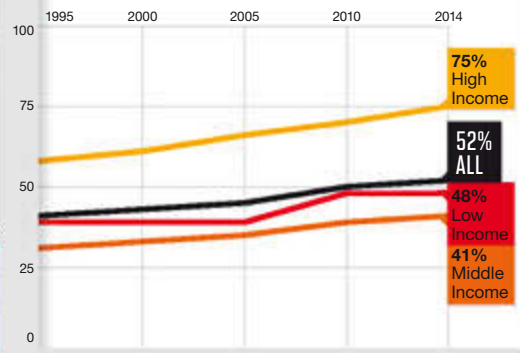
WORKING FOR FREE

Disproportionate amounts of unpaid hours of work per day can limit women's economic opportunities.



BABY STEPS ON MATERNITY LEAVE

The portion of high-income countries that guarantee at least 14 weeks of paid maternity leave has climbed gradually to 75%. The U.S. is the only developed country that doesn't mandate paid leave.

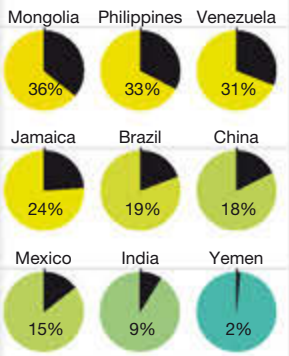


COUNTRIES THAT OFFER NO PAID MATERNAL LEAVE:

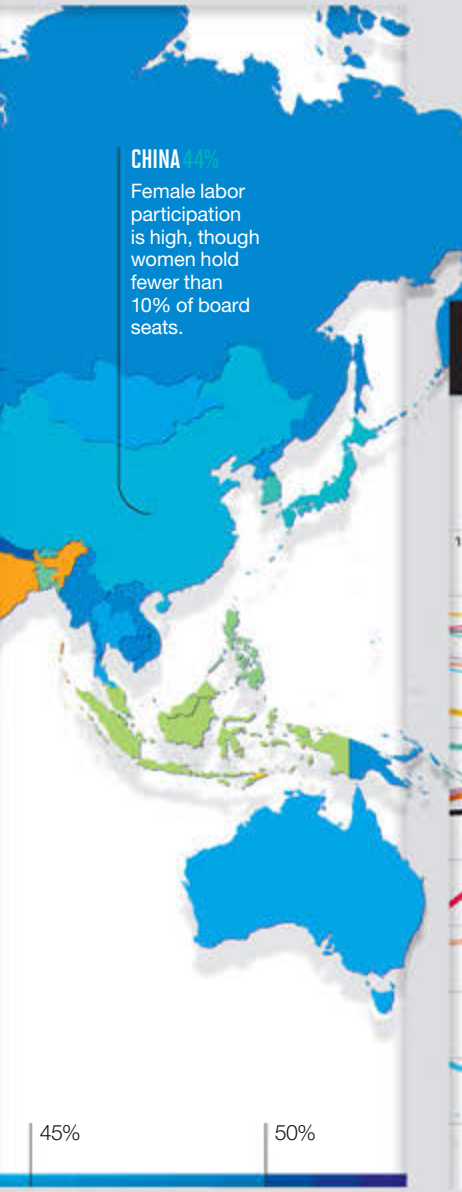
The Marshall Islands
Micronesia
Nauru
Niue
Palau
Papua New Guinea
Suriname
Tonga
United States

IN THE C-SUITE

Globally, just 18% of firms have a woman as their top manager.

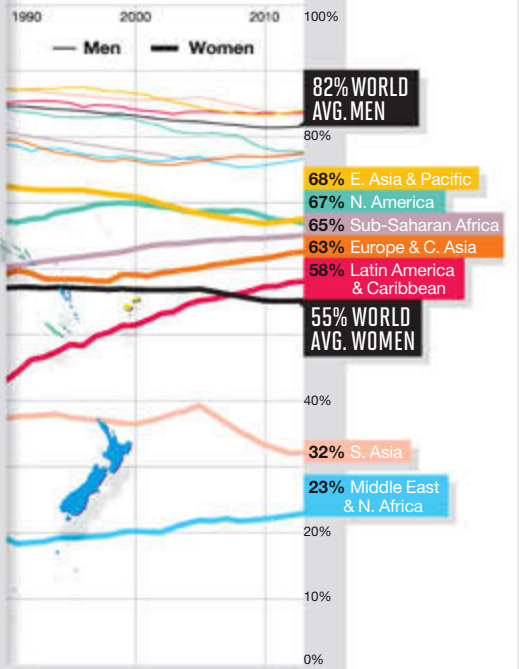


SOURCES: NO CEILINGS: THE FULL PARTICIPATION PROJECT; WORLD BANK; ILO



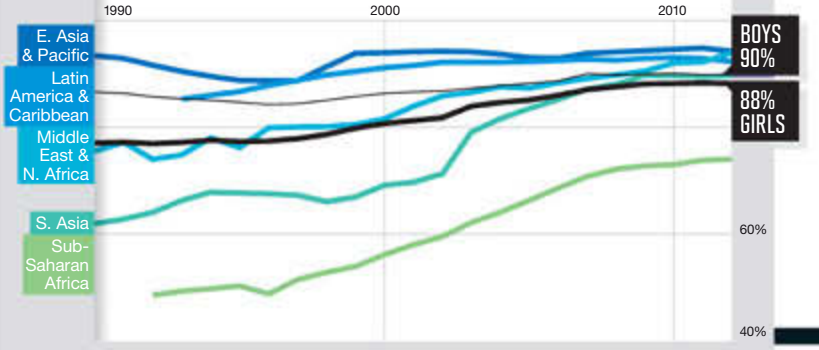
20 YEARS OF LABOR PARTICIPATION

Globally the rates of women ages 15 to 64 who work have stagnated, but some regions have fared better than others.



ACCESS TO PRIMARY EDUCATION IS IMPROVING

With the exception of sub-Saharan Africa, the gap between girls and boys in primary-school enrollment has been almost completely erased in the past 20 years.



Closer Look

The Jobless Gender

The past two decades have seen huge strides for women's equality in almost every arena—just not in the labor market. ***By Nina Easton***

GRAPHIC BY **LUKE SHUMAN**

IF YOU'RE A WOMAN living in Uganda, Namibia, Ghana, or Nigeria (Africa's largest economy), you are three times more likely than your husband, son, or brother to run a business.

But if you live in North Africa or the Middle East, forget it: The men in your life are three times more likely to own businesses—and you are no more likely to have a salaried job than you were two decades ago.

Those are some of the fits and starts on women's economic progress revealed in our exclusive look at a new report from Hillary and Chelsea Clinton's debut initiative, No Ceilings: The Full Participation Project. What's especially striking is that women around the world are healthier and more educated, but no more likely to be collecting a paycheck than they were 20 years ago.

In fact, the percentage of women in the global workforce has stagnated at

about 55%. And while labor participation rates for men actually dipped (to 82%)—and many women who work in the "informal" economy aren't counted—the yawning male-female gap hasn't been dented.

The No Ceilings report, produced in conjunction with the Gates Foundation and other groups, aggregates data from existing research to measure the progress of women globally since 1995, when the United Nations convened its much-heralded conference in Beijing on the status of women—and First Lady Clinton famously equated women's rights with human rights.

As Secretary of State, Clinton repeatedly made an economic case for improving the status of women, citing research showing the benefits to a country's GDP. As the report notes, "Closing the gap in women's labor force participation across OECD countries is estimated to lead to average GDP gains of 12% by 2030, including almost 20% in Japan and Korea, about 10% in the United States, and more than 22% in Italy."

Nevertheless, "there are cultural norms that really challenge women," notes No Ceilings director Terri McCullough. Take Asia: In China, 64% of adult women work in the growing economy. But in Japan—despite a longer history of modernity and high education rates—only 49% work, largely because of a social bias toward stay-at-home moms. Prime Minister Shinzo Abe—hoping to jump-start an ailing, aging economy—is trying to reverse that with policies encouraging women to work.

It's a lesson that the new leaders of economic basket-case Greece, where only 44% of women work, might consider borrowing. The same goes for India Prime Minister Narendra Modi as he tries to build a world-class economy; there, only 27% of women work. It was higher a decade ago.

With Hillary Clinton's expected presidential run in the offing, the report is certain to feed some charged political debates: It points out that the U.S. is the only high-income country without mandated paid maternity leave—alongside such countries as Micronesia, Papua New Guinea, and Tonga. The continued wage gap between men and women is also highlighted, though conservative critics charge that these numbers are misleading, failing to take into account hours worked, interrupted years from childbearing, and choices in occupation. One thing about women's progress (or lack thereof) that's guaranteed? We'll be hearing a lot more about it before next November.



Women stitch clothes in Kenya, where female workforce participation is higher than the global average.

Closing the gap between men and women at work could boost GDP by an estimated 12% by 2030 in OECD countries.

SOURCE: NO CEILINGS: THE FULL PARTICIPATION PROJECT

NOT JUST A WOMEN'S ISSUE

Chelsea Clinton, vice chair of the Clinton Foundation, spoke with Fortune's Nina Easton on women's unrealized role in the economy.

What surprised you most in the No Ceilings report? That the U.S. is one of only nine countries that doesn't have paid leave time for mothers. Look at the company we are in—largely small island states that don't have the economic heft of the U.S.

What's the impact of women's lackluster labor force participation? That's a conversation my mom had with Prime Minister [Shinzo] Abe in September. In Japan, more women working would pretty quickly translate into robust year-over-year GDP growth. Greater participation is not only the right thing to do, but the smart thing to do.

There's also a dearth of women at the top in corporate America. We've just made incremental progress, but we need the norms to change from the top down on what a board member looks like, on what a CEO looks like.



KENYA: NOOR KHAMIS—REUTERS; CLINTON: DESIREE NAVARRO—WIREIMAGE

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[1]As of February 2013. Based upon published website market, economic, stock and ETF research reports available to customers from other major online self-directed brokerage firms.

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†*Kiplinger's* magazine, December 2014. Results based on ratings in the following categories: total commissions, investment choices, tools, research, Web site, mobile, and advisory services. Criteria not equally weighted. In 2014, Fidelity tied for #1 with Charles Schwab which ranked 10 leading discount brokers. In 2011, Fidelity tied with TD Ameritrade which ranked 14 discount brokers, was #1 in November 2008 which ranked 12 discount brokers, and tied for #1 with Muriel Siebert in 2007 which ranked 10 discount brokers.

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BACK NINE

BARBARIAN AT THE BUNKER

The new king of golf is wielding a private equity playbook. *By Lauren Silva Laughlin*



ClubCorp's Mission Hills Country Club in California offers tennis, a spa, and three 18-hole courses.

IF GOLF COURSES and country clubs don't strike you as well-oiled corporate machines, that's because, before Eric Affeldt, they weren't.

Affeldt is the CEO of ClubCorp, the largest owner of golf courses and private clubs in the country by a long shot. Over the past few years the company has been on an acquisitive tear, buying 64 new properties in 2014 alone, bringing its total to 207, more than three times the size of its next largest competitor. In its fall issue, *Golf Inc.* named Affeldt the sport's "most powerful person." It helps that in a struggling industry, his business is growing fast. But golf lovers still aren't sure if he's saving the sport—or ruining it.

Since ClubCorp went public in September 2013, the company's stock has climbed 27%. That's despite the declining popularity of golf itself. A study by consulting firms Pellucid and Edgehill Consulting found that people in the U.S. played 2% fewer rounds last year than the year before. Longer-term stats look even worse. Players knocked around a sixth fewer rounds in 2014 than at the game's height in 2000. We are now playing the same amount of golf as we did in 1990.

Country clubs aren't doing much better. After a boom in the '90s, 185 clubs closed last year. Pellucid says 140 clubs will need to shutter every year for the next five years before the industry approaches equilibrium.

Where others saw decline, though, Affeldt smelled opportunity. A former finance exec, he now uses a familiar private equity playbook. First, he buys properties, often distressed. Then he pools his clubs' purchasing power to get better pricing, and uses the savings to procure things like new pools and fitness facilities.

That ruthless pursuit of efficiency has led some in the industry to call Affeldt the "golf assassin," saying he's corporatizing the sport. But it's hard to ignore the results. ClubCorp's last four quarters constitute its second year of record membership revenue, and sales increased about 5% on a club-for-club basis amid industry decline.

Affeldt's unemotional approach may have some hidden benefits for the sport. He has embraced change where others are resistant, like offering shorter games and cheap wine to attract millennials. While the rounds of golf played haven't risen, they haven't declined either—which is more than many rival club owners can say.

"Many of the clubs have been owned and run by a board of well-intentioned people, but without technical expertise," says Affeldt. "Given that's all we do, we have a bit of an advantage."

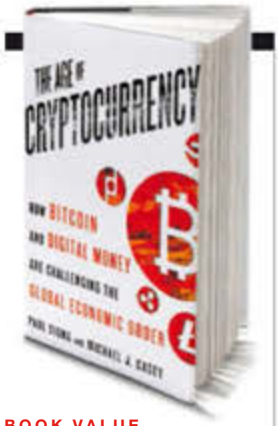
NOTHIN' BUT NET

664,000,000

Number of hours people spent watching March Madness live last year, both on TV and streaming—but, ahem, not from work, of course

PHOTOGRAPH SOURCE: TURNER SPORTS


A STAR ALLIANCE MEMBER
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BOOK VALUE

Bitcoin Boys

Call it the Bitcoin book boom: In the past year hundreds of books were published on the cryptocurrency (which was the single worst-performing medium of exchange last year). Yet despite the media buzz and the wealth of private investment, most people don't know or care about Bitcoin.

The book that most convincingly argues why that could soon change is *The Age of Cryptocurrency* by *Wall Street Journal* reporters Paul Vigna and Michael Casey. They begin with the story of a young woman in Afghanistan with no bank account. She's able to receive payment instantly and securely for the work she does for a U.S. film blog using the currency. (Never mind that the value of her payment is subject to change abruptly.)

While the authors are Bitcoin believers—declaring that the currency will make entrenched systems "look as antiquated as Gutenberg's printing press"—they're also careful to note it might still fail spectacularly. Success, they say, "is still a big if." *—Daniel Roberts*

STATE OF THE UNION

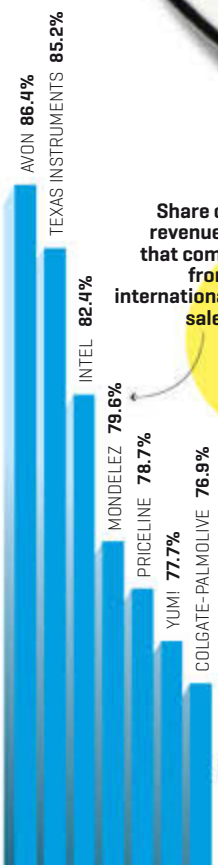
EATING THE CAMPAIGN TRAIL

Presidential hopeful Jeb Bush is borrowing a strategy from the brother and father he hopes to follow to the White House: smashing fundraising records. That's all the more remarkable considering the records keep rising. This year Jeb hosted politics' first-ever $100,000-a-plate event to benefit his Super PAC. *—Tory Newmyer*

$9.4 MIL.
Amount **George Herbert Walker Bush** raised in the first half of 1987.

$36.9 MIL.
Amount **George W. Bush** raised in the first half of 1999—more than any Republican had at that time in an entire primary.

$50 MIL.–$100 MIL.
Amount **Jeb Bush's** allies have speculated his Super PAC could raise in its first *quarter,* though aides disavow the goal.



CURRENCIES

The dollar buys a lot these days. Its value vs. the euro rose 18.7% in the past year to 12-year highs. That's great for American consumers, who can buy foreign goods cheaply. But it's a mixed bag for U.S. businesses. Increasingly the companies that make up the S&P 500 do more sales overseas (nearly a third of them get *most* of their revenue from abroad, according to FactSet data). For them, cheap foreign currency hurts. Just ask Caterpillar, which has 61% of its business overseas and is moving more operations there too—where the dollar can't touch it. *—Chris Matthews*

GRAPHIC SOURCE: FACTSET



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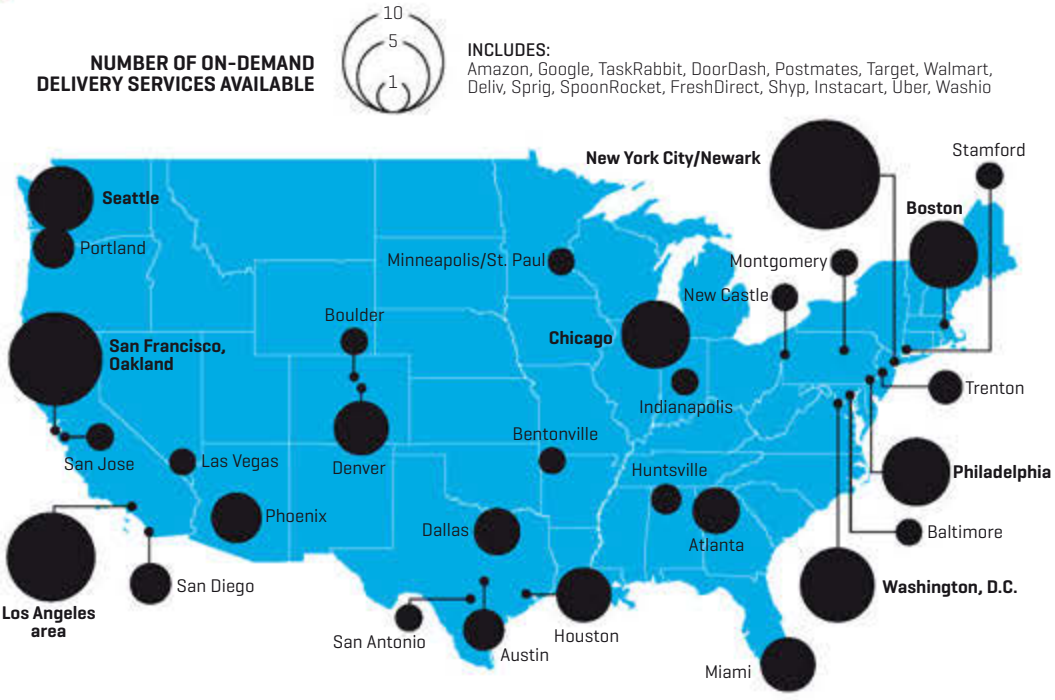
Companies like Schlafly Beer rely on Siemens hardware and software to reinvent manufacturing.

A new era of manufacturing has dawned, one where manufacturers in every industry are relying on a highly skilled workforce and intelligent hardware and software to produce more complex products more efficiently than ever before. And they're turning to Siemens to get it done.

In St. Louis, Schlafly Beer doubled production without sacrificing the quality craft beers that built the company, by implementing the Siemens BRAUMAT Compact system. Today, it has a distribution area the owners never thought possible.

Siemens is working with some of the most forward-thinking companies to do what matters most, like improving efficiency and productivity, making more with less and growing the economy.

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THE 24/7 ECONOMY

The Limits of Instant Gratification

Whatever, whenever—just not wherever. *By Robert Hackett*

The world is at our fingertips. That is, if you happen to be in the right part of it.

For all the venture investment in on-demand delivery—the so-called Ubers of X, Y, and Z—the vast majority of delivery startups still have yet to overcome the limits of geography. Most are confined to a few cities, which prompts the multibillion-dollar question: Can they cover enough ground to justify their huge valuations?

"There are pockets of above-normal demand, both geographic and demographic, but just pockets," says John Deighton, a Harvard business professor, who believes the mass market for such service is tepid. "Consumers don't care to see online ordering thrive."

We surveyed the top 10 delivery startups—which have collectively raised nearly a half-billion dollars, according to CB Insights—to see how much turf they claim (see map). So far, most of them reach only a handful of cities. Sprig, for example, has raised $12 million and doesn't yet cover all of the Bay Area. For all the hype, all their coverage areas combined (plus the fledgling same-day delivery services of Uber, Amazon, and other giants) don't touch vast swaths of the country.

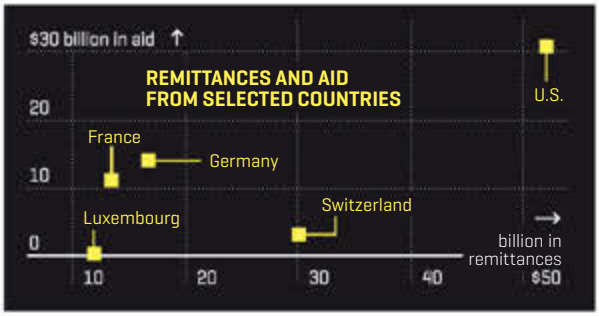
"They're not even profitable in any markets they're in now, and those are probably the densest, greatest-demand markets that even exist for their service," says Sucharita Mulpuru, a VP at research firm Forrester. "They can't at this point retrench and say this idea only works in three markets. Half have taken tens of millions if not more than that in venture funding."

Time will tell whether these Uber of X's are, in reality, Ubers of excess. Mulpuru expects a reckoning will come. Before long investors will demand to know which of these companies will deliver.

MAP NOTE: GRUBHUB'S NETWORK IS NOT INCLUDED BECAUSE MOST RESTAURANTS DO THEIR OWN DELIVERY. FRESHDIRECT IS INCLUDED, BUT DOES NOT HAVE SAME-DAY SERVICE. BOTTOM GRAPHIC SOURCES: OECD; WORLD BANK

SHARING THE WEALTH

The flow of remittances, or money sent home by expats, is booming. In 2013 remittances dwarfed official aid by a factor of three. Last year totals grew 5%, to a record $435 billion; the World Bank says they could exceed $500 billion by 2017. Whether or not that happens, their impact will be huge. In 2012 the U.S. gave $209 million to Mexico in official aid but sent $22 billion in remittances—nearly 2% of the country's GDP.



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Top of the Heap

Some dream jobs are a lot easier to get than others.

So you want to work someplace wonderful? Surprisingly, landing a job at many of the nation's most beloved employers is easier than you might think. The chart at right shows, from best (at top) to worst, the chances of getting a coveted job at *Fortune*'s 100 Best Companies to Work For, based on the number of applicants per open position over the past year. In total, these companies received more than 17 million job applications and filled 535,000 slots during the past 12 months, representing a 3% success rate overall. But don't be deterred by those daunting numbers. The odds of getting hired at some perennial favorites on our list—including Wegmans Food Markets (No. 7) and Four Seasons Hotels & Resorts (No. 47)—look downright encouraging these days. Of course, unseen on this chart is how huge the pool of competitors can be. Among the companies receiving at least 50 applications on average per opening, three of them—Google, Whole Foods Market, and Marriott International—have each gotten more than 1 million applications in the past 12 months. —*Scott DeCarlo*



SOURCE: GREAT PLACE TO WORK

GRAPHIC BY NICOLAS RAPP


RMB. CHANGE MORE THAN YOUR CURRENCY.
Change the way you do business today. At HSBC we have 150 years experience helping businesses operate in China. Our local and global connections are well suited for delivering RMB solutions that could support trade relationships, manage cash flows and provide you with access to new investment possibilities.
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CLASS, REIMAGINED

How these schools in the inner city are getting better results than the suburbs. *By Nina Easton*

IF YOU'VE HEARD of charter school founder Eva Moskowitz, odds are it's because of her pitched, front-page battles with teachers' unions and their powerful ally, New York Mayor Bill de Blasio.

But whatever your politics, it's hard to deny her results. In New York, where dozens of public schools failed to pass a single black or Hispanic student on last year's state math and reading exams, Moskowitz's 32 Success Academy Charter Schools rank in the top 1% of all the state's programs in math—and in the top 3% for English.

Daniel Loeb, CEO of the hedge fund Third Point and Success Academy board chair, likens it to an Internet startup: "The intensity of focus that leads to outstanding results, the use of data, the recruitment and cultivation of talent—it feels like you are on a mini-Google campus."

On a tour of Success Academy's flagship school in Harlem, Moskowitz shared her philosophy on disrupting education.

KIDS SHOULD STRUGGLE. "There's this sense in public education that kids are fragile, that their self-esteem will be hurt," she says. "We believe self-esteem comes from mastery." Moskowitz doesn't worry about kids' being stressed about test taking; Olympic athletes get stressed too. Too often schools aim low for children in poverty. "We have to reverse that thinking," she says. Success Academy's South Bronx school—in the nation's poorest congressional district—is one of its top performers.

CHESS IS KEY TO BUILDING AGILE MINDS. Every kid is required to study the game—and tournaments are a favorite school sport. Science is crucial too. This is the rare elementary school in which science is taught five days a week, relying heavily on hands-on experiments. Computer-coding classes start in second grade.

ASSUME ALL YOUR STUDENTS ARE GOING TO COLLEGE. At Success Academy schools, each teacher's alma mater is listed on his or her name card outside the classroom door—along with students' names and their expected graduation year. Even in art classes, which Moskowitz says should be front and center in any curriculum ("not extracurricular"), there is this sign: DESIGNERS AND ARTISTS GO TO COLLEGE.

EXTEND THE SAME COLLEGE EXPECTATIONS TO SPECIAL-ED STUDENTS. In some classrooms a third of Success Academy students have learning and emotional disabilities. Moskowitz provides intense help for those students but operates under the assumption that "special ed" is not a permanent track. "It's not an inability. It's a disability," she says. Her special-ed kids actually outperform New York City's general-education students in math and English.

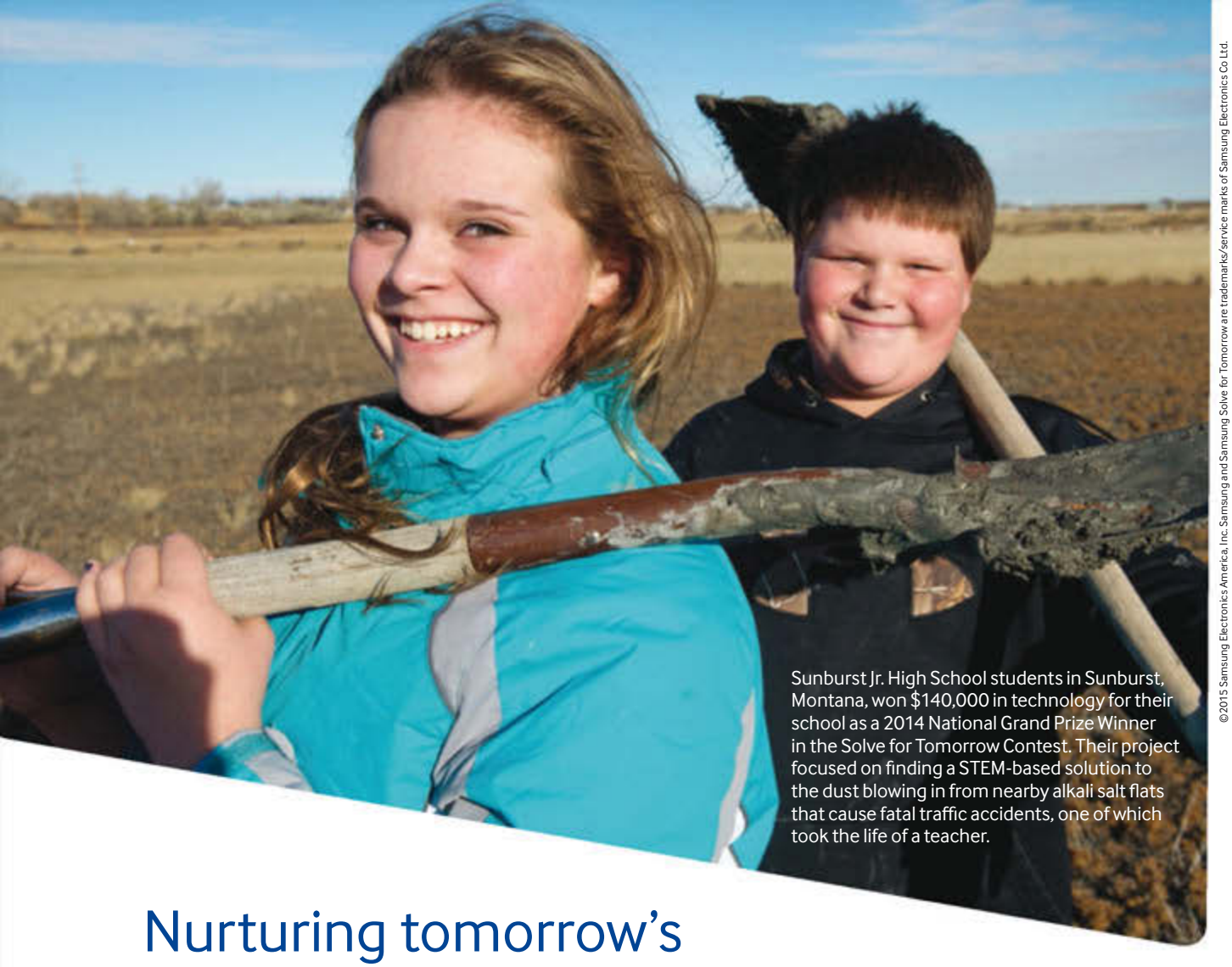
NO CODDLING FOR TEACHERS EITHER. They are expected to work long days and longer school years and attend far more training sessions than regular city teachers. For that, they get paid 30% more than their unionized counterparts. Says Nina Rees, CEO of the National Alliance for Public Charter Schools: "Her secret sauce is definitely in the teacher training."

PRINCIPALS, NOT JUST TEACHERS, HAVE TO KNOW THEIR STUDENTS. Even principals must memorize the names and families of each of the hundreds of children in their charge.



Success Academy founder Eva Moskowitz with her students in Harlem

BENJAMIN LOWY—GETTY IMAGES



Sunburst Jr. High School students in Sunburst, Montana, won $140,000 in technology for their school as a 2014 National Grand Prize Winner in the Solve for Tomorrow Contest. Their project focused on finding a STEM-based solution to the dust blowing in from nearby alkali salt flats that cause fatal traffic accidents, one of which took the life of a teacher.

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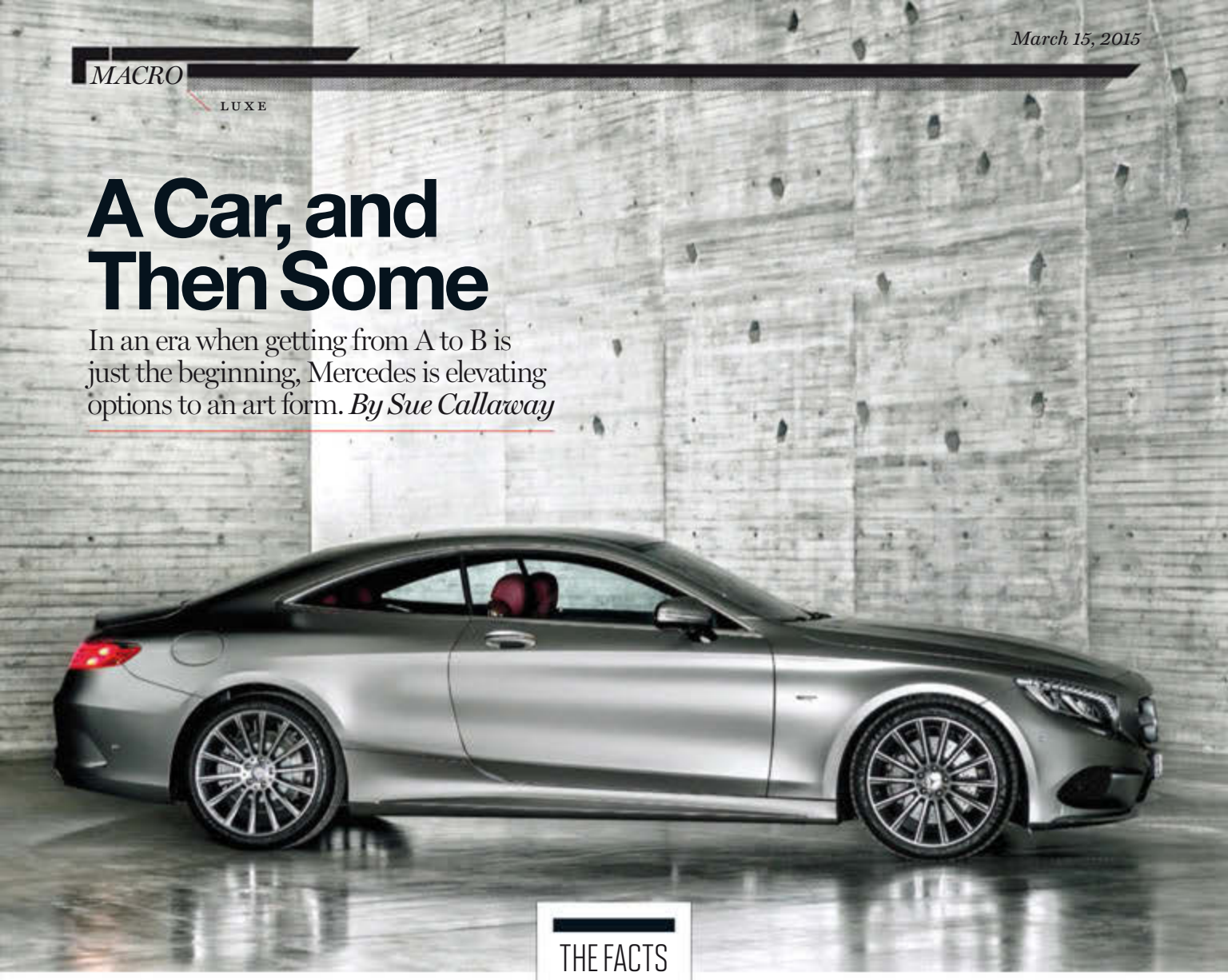
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SAMSUNG SOLVE FOR TOMORROW | SAMSUNG

A Car, and Then Some

In an era when getting from A to B is just the beginning, Mercedes is elevating options to an art form. *By Sue Callaway*



THESE DAYS a great car has to be more than just a vehicle. It needs to be bulletproof, stuffed with the latest technology, and, of course, fun to drive. But Mercedes' new model goes so far over the top that the word "car" itself no longer seems quite adequate.

The Mercedes-Benz S550 Coupe, the latest entrant in the company's flagship S-Class line, doubles as a mobile nightclub, tech center, and concierge. There are seven mood-lighting options, a Burmester 3-D sound system, and "Magic Sky Control"—a glass roof you can electronically switch from opaque to transparent, for stargazing. The Mercedes "mbrace" smartphone app can book concert tickets, then automatically load directions to the venue into the car's GPS. And more than 100 electric motors power bleeding-edge systems, such as wipers that spray heated fluid from laser-cut holes along each blade. Radar sensors plus a stereoscopic camera in the windshield stop just short of making it full-on self-driving.

THE FACTS

BASE PRICE
$119,900

PRICE AS TESTED
$148,470

ENGINE
4.7-liter V-8 direct injection biturbo

HORSEPOWER
449

TORQUE
516

AMENITIES
Seven-speed transmission with shift paddles
ECO start-stop technology
4Matic permanent all-wheel drive

The S550 Coupe is also the closest thing you'll find to a spa on wheels. Its Air Balance system ionizes the oxygen inside the car and spritzes the cabin with one of four available fragrances. (My favorite: Downtown Mood, with "warm undertones of musk" and a "cashmere note.") There are also six different massage settings, including two hot-stone variations and "activating" mode, which encourages an abdominal workout by prompting you to press against various pressure points in your back and shoulders.

Improbably, the S550 Coupe is the base car in a lineup of six models that tops out with the $230,900 V12 Mercedes-Maybach S600 version (a half-million-dollar ultra-stretch version is in the works for China and Russia). Clearly the engineering titans in Stuttgart haven't let up. The latest S-Class is the most advanced rolling lab on the luxury planet.



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COMPANY SPOTLIGHT

NATIONWIDE: ENGAGED ASSOCIATES ARE KEY TO PUTTING MEMBERS FIRST

The Columbus-based insurance and financial services company is committed to inspiring, respecting, and listening to its 33,000 associates.

"PEOPLE HERE HAVE ALWAYS TAKEN RISKS ON ME and been willing to provide developmental opportunities so that I could grow," says David Vasquez, who joined Nationwide out of college about 20 years ago. Vasquez is now an assistant vice president, IT Applications.

Nationwide, a mutual company with $171 billion in statutory assets, supports its associates through a robust set of programs designed to further engagement, career growth, and well-being, as well as increase diversity and provide opportunities to give back to the community. "We try every day to create a culture we're proud of," says 31-year Nationwide vet Gale V. King, executive vice president and chief administrative officer. Excluding Nationwide's call centers, she says, the turnover rate is 6%.

"If you don't have engaged associates, you're not going to get there with your members," says CEO Steve Rasmussen. "Engagement is good business, but it also makes Nationwide a great place to work."

A yearlong onboarding process nurtures new hires, and all associates participate in regular engagement surveys, two programs that consistently involve all management. Additionally, new leaders attend a yearlong leadership program, and associates are encouraged to take on new challenges by posting work experience and interest on Nationwide's MyCareer network similar to LinkedIn.

Nationwide looks after the health of its associates through a robust wellness program that includes on-site screenings, and health coaching that extends to spouses.

Diversity, too, is a point of pride at Nationwide, whose efforts have won numerous awards. It has even taken political stands on equal-opportunity benefits that affect associates. Inclusion is key, says Rasmussen. "It's not just a matter of employing diverse associates, but also creating a welcoming and inclusive culture."

Accepting, and also caring, say associates, who receive time off to volunteer, logging nearly 86,000 hours in 2014. The company's foundation granted $50 million to what is now Nationwide Children's Hospital, helping to fund a 2.4-million-square-foot expansion. "It's nice," says Vasquez, "to drive past, see the Nationwide name, and tell my kids, 'My company helped to make this possible.'" ●

85
–PERCENT–
of associates have posted career profiles on the company's MyCareer network, which managers can access to look for particular skills or experience.

30
Percentage of Nationwide leaders' goals that involve its people, including engagement, diversity, and inclusion.

11
Number of consecutive years that Nationwide has received the highest rating on the Corporate Equality Index from the gay rights advocacy group Human Rights Campaign.

SOURCES: Nationwide; Human Rights Campaign



A GREAT BIG THANK YOU.

Here's to the 33,000 associates of Nationwide® who make this a great place to work. Your enthusiasm and caring spirit make a difference for each other, our members, our partners and our communities. You prove that a very big company can have a very big heart. Thank you.



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Ganahl, with Boo

How I Got Started

Finding Her 'Wow' in Camp Bow Wow

A chain of canine day-care centers proved to be the salvation of Heidi Ganahl. ***Interview by Dinah Eng***

HEIDI GANAHL'S TWENTIES *were marked by tragedy and disaster. Her husband died in an accident, and she lost most of the resulting $1 million insurance payout to bad investments, loans she made that weren't paid back, and two aborted startups. Despite such setbacks, Ganahl, now 48, went on to launch Camp Bow Wow, a chain of day-care centers for dogs that has grown into the nation's largest pet-care franchiser, with 152 locations in 37 states and Canada. Last year the franchises generated $85 million in revenue, and the company was acquired by VCA, an animal health-care business with revenues of $1.9 billion, for an undisclosed sum. Ganahl's story:*

I've always had a dog in my life. My parents gave me my first, a terrier mix, when I was 3. We lived in Monument, Colo., and my dad was in sales. My mom started the YMCA branch there. I was surrounded by awesome women—five aunts and my mom's three best girlfriends—who all encouraged me to try whatever I wanted in life.

After getting a bachelor's degree in business administration in 1988, I went into pharmaceutical sales, but it wasn't my passion. In 1990, I met my first husband, Bion, and we both had entrepreneurial mindsets. Someone started a doggy day-care place next door to where he worked. We had two big dogs (a chow-retriever mix and a boxer-collie mix) and decided to expand on that idea and create a

PHOTOGRAPH BY **JAMIE KRIPKE**

"Nobody knew what doggy day care was back then. The zoning folks in Denver... categorized us under 'warehouse of commodities.'" *—Heidi Ganahl*

boarding facility that would offer doggy day care, grooming, and training.

We put together a business plan in 1994 and started looking for space. For Bion's 25th birthday, my parents arranged a surprise flight in a 1943 Stearman biplane with a friend who flew in air shows. They were doing a flyby when the plane dove into the ground, 75 yards from my parents, and both men died. It put us all through hell, and I dropped the business, which we had named Camp Bow Wow.

Three months after the crash, the insurance company sent me a $1 million settlement check. Bion and I had lived paycheck to paycheck. Suddenly I had people coming out of the woodwork, wanting loans to start businesses. I'm a very trusting person, and I gave out money that was never paid back. I then hired a financial planner, who took over management of the money, and he made some bad investments.

At the same time, I started two businesses: a baby-bedding catalogue company and a consulting firm to help people who received sudden wealth, as I had. I got a certified financial planning designation, but my heart really wasn't in either venture, so I stopped putting money into them. There's a lot of emotional stuff attached to money that people inherit out of tragedy, and they invariably find ways to lose that money. I felt terribly guilty about getting that settlement check for Bion's death, and that's why I ended up losing most of it.

In July 1996, I remarried and had my daughter Tori, but the marriage lasted only a year and a half. I got into a custody battle that lasted four years, and that ate up more money, so it was a perfect storm.

One day my younger brother, Patrick, said, "You seem really lost. Why don't you start Camp Bow Wow, and I'll help you with it?" So in 2000, I used the last $83,000 from the settlement to start a business I was really passionate about.

We found an old Veterans of Foreign Wars hall that we rented for $2,000 a month. Nobody knew what doggy day care was back then. The zoning folks in Denver didn't understand. They categorized us under "warehouse of commodities" and wouldn't let us have more than 15 dogs or house them overnight. Luckily we found a place that the zoning department approved as a kennel.

At first the biggest challenge was convincing customers that dogs could play together safely and have fun. We talked to people walking their dogs, put on charity events for animal causes, left door hanger ads, and visited veterinarians to promote the business. Revenue the first year was about $100,000, which was enough to pay the bills. By 2003 we were doing $300,000 in sales.

I started a second location in 2002, and a client suggested I go to the International Franchising Association conference. I met great people there who mentored me, and we became the first pet-care facility to start franchising, in 2003. My brother decided to pursue sound engineering, so I bought him out.

Over the years we've added services. People would complain the dogs were stinky after playing all day, so we started a grooming service. We started Home Buddies, doing check-in visits at home if pets were too old or sick to be boarded. We also do dog training now.

Growth is expensive. You have to hire more people, invest in technology and new equipment. Early on, it was hard to manage cash flow without investors. I spent many nights wondering if I was going to be able to make payroll. I put a lot on credit cards, and my parents helped out, putting in about $100,000 over the years. But I was determined to make back that $1 million settlement money, and do it without outside help.

A few years ago I married again, and we have three young children in addition to Tori, who's now a teenager. I knew it was time to start investing a lot of capital to grow Camp Bow Wow. It's really tough to sell franchises now because of lending requirements. So I started looking for strategic partnerships and hit it off with the guys at VCA. They're one of the most well-known brands in the pet industry. VCA bought us on Aug. 15, and I remain as CEO.

It took me a while to figure out what I wanted to do when I grew up, but I love this brand, and I'm proud of keeping the dog before the dollar. The reason I do this is to give dogs a happy, healthy place to stay if their parents can't take care of them. Like dogs, I try to focus on the now and live in the moment.

My Advice

HEIDI GANAHL

Founder and CEO of Camp Bow Wow

EMBRACE TECHNOLOGY. We were the first to use webcams in a pet-care facility. We're now looking at offering collars with technology that can monitor exercise, hold information to check the dog in and out of camp, and more.

GIVE BACK TO YOUR MENTORS. You have to be a good steward of the relationship. Over the years, I've used free doggy day care or boarding services to help those who helped me. I try to steer business to mentors to show my gratitude, and I pay it forward by mentoring others.

BALANCE WORK AND PERSONAL LIFE. When I started Camp Bow Wow, I continued to work pharmaceutical sales part-time for the first year and a half. In the afternoons, I'd take my 4-year-old daughter to parks, where we handed out free Milk-Bones with coupons to people walking their dogs. It was hard being a single mom starting a business, but I found ways to do both.

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COMPANY SPOTLIGHT

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"When you're working in the health care industry, you're coming to work every day to make a difference in people's lives," says Dr. Leonard Schleifer, founder, president, and CEO of Regeneron. "I think that everybody here, every time they come to work, understands that we have one real customer, and that customer is the patient who needs our drugs. People here are highly motivated because they know our goal is to do the right thing."

The biotechnology company is involved in the discovery, invention, development, manufacturing, and marketing of medicines for the treatment of eye diseases, colorectal cancer, and a rare inflammatory condition. In development are product candidates that address unmet medical needs in other areas, including hypercholesterolemia, oncology, rheumatoid arthritis, asthma, and atopic dermatitis.

To succeed in these areas, the company will hire 1,000 new employees to work at Regeneron's growing Tarrytown and Rensselaer, N.Y., campuses, as well as other locations throughout and beyond the U.S. "We're looking for people who have the right motivation," Schleifer says, "but also for what people have accomplished, because what people have done is usually a good indicator of what they're likely to do.

"If we are the best place to work," Schleifer continues, "it is because we have the best employees and a culture where they feel empowered and challenged." That culture is based on "doing the right thing by patients," he notes. "We are a data-driven enterprise that uses science as the road map to get drugs that, based on strong data, are likely to help people in need."

(For more information about the company, visit **www.regeneron.com**.) ●

3000
STRONG

Regeneron recently celebrated the addition of their 3,000th employee to the team.

96%

Ninety-six percent of Regeneron employees are proud of their accomplishments and community impact.

25th
-ANNIVERSARY-

Employees received stock options for Regeneron's 25th anniversary.

SOURCES: 2014 Great Place to Work.® Trust Index® Employee Survey; Regeneron Pharmaceuticals







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FORTUNE 100 BEST COMPANIES TO WORK FOR 2015

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The Biggest Kick Start

ENTREPRENEURS ARE RAISING BILLIONS VIA CROWDFUNDING—BUT THE NONFINANCIAL PAYOFF MAY BE EVEN GREATER.

By Jennifer Alsever

Just 30 days after launching a Kickstarter campaign in August, Cameron Gibbs and David Gengler raised $652,000 to begin manufacturing a padlock that can be opened and closed from 15 feet away via Bluetooth. But the crowdfunding delivered far more than just money for their startup, FUZ Designs. The money-gathering crusade spawned widespread coverage on tech blogs, which led in turn to hundreds of offers of help with marketing, design, manufacturing, and distribution.

"We always thought of the marketing and the money, but we didn't realize how it would open the door to other opportunities," says Gibbs. FUZ's Bluetooth padlock will ship this spring, and the company is now planning a second campaign to develop a Bluetooth bicycle lock.

Some $5.1 billion was delivered to startups and others through crowdfunding platforms in 2013, according to industry consultant Massolution, making it a rich source of cash. But 70% of entrepreneurs rank other benefits higher, says Richard Swart, a crowdfunding researcher at the University of California at Berkeley. They cite rapid input on strategy, messaging, and marketing, as well as help in finding distribution, investors, and employees. Money is typically listed as fourth or fifth most important.

Take Daniel Haarburger, a Stanford student entrepreneur who collected $32,000 in eight days on Kickstarter in 2013 for a band that attaches smartphones to bicycle handlebars. That won him 3,250 supporters, who have become an unofficial focus group. Haarburger received ideas for future iterations (a mount for a motorcycle) and changes to the design (adding a bottle opener). He also connected with 30 people who volunteered their expertise in packaging, sales, graphic design, marketing, and manufacturing. Finally, the campaign introduced him to his most valuable adviser, Michael Rosenblatt, a former product development manager at Apple, who gave him tips on product testing and other functions, and connected him to people at Apple and other companies.

Haarburger has since run another crowdfunding campaign, penned an ebook on the experience, and helped two other startups get going on Kickstarter. He, too, preaches the nonmonetary benefits of crowdfunding. "It's been huge for me," he says. "People miss the point when they think it's all about the money."

It does take some filtering. Among the many offers of assistance Cheryl Kellond and Sylvia Marino received a few years back when they gathered funds to make Bia, a women's GPS watch, was one from a truck driver who proposed placing an ad for Bia on the side of his semitrailer, which he drives to Mexico. (The co-founders declined to take him up on it.) Still, the Kickstarter effort yielded $408,000 for Bia and led to three early hires, including its head of customer service and its product manager, both of whom were among the 2,118 people who signed up to back the campaign. "We needed people who understood the customer," says Kellond, "and they did—because they *were* the customer. There was passion and knowledge there, and they were caught up with what we were doing. I never would have found that without crowdfunding."

COLAGENE, CREATIVE CLINIC

ILLUSTRATION BY ÓSCAR LLORENS

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IN COLLABORATION WITH Alcatel·Lucent

COMPANY SPOTLIGHT

VMWARE'S QUEST FOR A MOTIVATED TEAM GOES BEYOND PINBALL MACHINES

This Palo Alto–based technology firm has created a high-energy corporate culture rich in community, collaboration, and purpose.

SILICON VALLEY TECH FIRMS are famous for their corporate largesse, including free lunches, staff masseurs, and break rooms with Ping-Pong tables. But it's all just window dressing unless such perks have legitimately functional purpose and well-developed thinking behind them. By that standard, VMware's approach to corporate culture is among the best in the business.

The 18,000-employee firm, which develops virtualization software, cloud infrastructure, and business mobility, indeed has a beautiful campus with plenty of community amenities, but it's part of an approach to fostering creative thinking—and, by extension, employee satisfaction. According to Nicola Acutt, vice president of global community affairs at VMware, the approach can be traced back to a single notion: values.

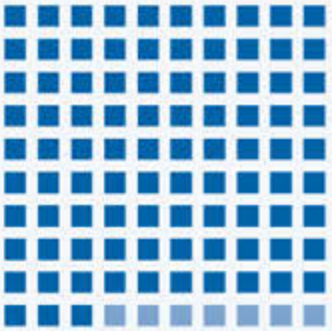
"When our new CEO, Pat Gelsinger, came on board in 2012, that was his immediate question: What are our company values?" Acutt says. "What you realize about the people who work here is that they arrive fueled with purpose, and they want to make an impact. And we want to create an environment that fosters more of that."

Through a grassroots process, employees (and not the management) developed the company values, along with the acronym to represent them: $EPIC_2$, for execution, passion, integrity, customer, and community. (The subscript represents the two C's in the acronym—this is Silicon Valley, after all.) The difference between VMware and some other companies who espouse value systems is that the former actively works to weave them into the fabric of its business.

There are also forums, guest speakers, companywide innovation sessions, and award programs at VMware, all of which further enhance the spirit of community. Ultimately, the shared values fostered through these efforts bolster the company's core strength—that of problem solving. "There's something contagious about the passion that people have when they're working on hard engineering problems," Acutt concludes. "I'm not an engineer, but I get inspired by this intellectual curiosity. That's the essence of what we do, and it spills over to the rest of the employees, which itself helps drive our success."

93%

of employees feel management is honest and ethical in its business practices.



93%

of employees say they feel a sense of pride about what they accomplish.

93

-PERCENT-

of employees feel good about the ways in which they contribute to the community.

SOURCE: 2014 Great Place to Work.® Trust Index® Employee Survey

















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Pro-Files

Still Knocking 'Em Out

GEORGE FOREMAN, EX–HEAVYWEIGHT CHAMP AND CURRENT MINISTER AND PITCHMAN, IS TESTAMENT TO THE POWER OF REINVENTION. HE ISN'T DONE YET. *By Daniel Roberts*



Foreman at his home, outside Houston

George Foreman's business philosophy can be reduced to three words: Never say no.

"Don't ever stop earning," he says. "It's a curse to think you have enough. There is never enough. George Foreman, Bill Gates—anyone. Money has to be spent. It is not made to be saved." Hence, it must be replenished, and replenish it Foreman does. You want to pay him $10,000 to share some tales with your business group of his days as heavyweight champ? He's there. "I remember my first million-dollar check for a boxing match," Foreman says. "What a joy. And then my first $5 million check. What a joy. But today I can go out and get a $5,000 check, and the joy is as great. Because I'm earning."

At 66, Foreman could stop. He has already cycled through at least four careers in a life that defines the word "reinvention": Muscled, scowling boxing champ; born-again minister; genial, flabby comeback king; and pitchman for Nike, McDonald's, Meineke, and most famously, the namesake grill whose rights earned him a $137 million lifetime deal.

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PHOTOGRAPH BY **BEN SKLAR**

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Foreman may still have a few more acts in him. In 2013 he started a boxing-promotion business. And now he's preparing to launch a whole new enterprise: an online butcher's store, because, of course, people need meat to cook on their George Foreman grill.

He is often in motion but rarely in a hurry these days. Foreman lives on a gated 45-acre property not far from Houston. On a mild February day he offers a tour via golf cart. He points out the tennis court—which he has never used—and the stables. (Foreman keeps most of his 50 horses on his ranch in Marshall.) He opens a garage that boasts 38 cars. Ferrari, Porsche, Maybach, Tesla—you name it, he has one. Foreman says the best model he ever owned was a 1977 VW Bug; that's in there too. Does Foreman really need such big collections? No, he admits, but the horses keep breeding ("You've heard the expression 'Be fruitful and multiply'?"), and he's easily sold on cars: "I see these commercials and say, 'Boy, I've got to have that…' I need to stop."

At a professed 255 pounds, Foreman is still at his (comeback) fighting weight. He insists he works out daily, but there are as many toys (they belong to his grandkids) littering the floor of his workout room as there are weights. There's also a huge George Foreman grill—which he says he uses right after he exercises—a few feet away.

Foreman stays plenty busy. His only day of rest is Monday. On Tuesdays, he says, "I try to take care of whatever business I have." Wednesdays he ministers and tries to stop by the youth center that he founded 30 years ago. On Fridays he and his wife head to the ranch, where he raises horses and Black Angus cattle. When the couple arrive at the ranch, he says, his wife feels "instantly relaxed. But after two days I say, 'Let's leave!'" On Saturday evenings and Sundays he preaches and teaches Sunday school. The preaching is a job. Speeches, endorsements—those are jobs too. "The best thing that can ever happen to a human being is a job," he says. "You don't have a job, you're going to die!"

Foreman was initially wary of hawking products, but an unexpected phone call in 1990 changed that. He was in an Atlantic City hotel, early on in his boxing comeback, when Bill Cosby called out of the blue. Decades before, Foreman had appeared on *The Dating Game* with Cosby's brother Bob. Foreman told Cosby he was getting endorsement offers but said, "I don't want to be on TV saying this and that." Cosby admonished him, he says: "Come on, man. You're no different from any other boy. You want to be on television; you want to be known. If you don't take them, I'll take them." From then on, Foreman was all in as a pitchman.

Now, of course, he has his own ventures. Coming soon: George Foreman's Butcher Shop, an online meat company—Omaha Steaks for the Internet age. It will sell all-natural Black Angus beef from small family farms, with an emphasis on quality and healthfulness. "These days," Foreman says, "you want to know about the cow's brother, sister, the spot he stood on. The grill was about health. And now I can spell it out to people with this food."

Meanwhile, Foreman—"Big George"—has been in business with three of his five sons, all named George. George IV ("Bigwheel") is his dad's publicist and is working on the meat company. Two years ago Big George and George Jr. launched Foreman Boys Promotions, which has partnered with Bob Arum's Top Rank to put on seven fights in Macau and a few in Texas. Arum was Big George's promoter for his comeback, and he says Foreman is evidence that complete reinvention is possible. When Foreman first called him in 1987, Arum says, "I was not enthusiastic, realizing what a horrid person he had been." Arum says Foreman's personality was so altered that he suspected a con. "But it wasn't a con," Arum says he came to realize. "He had really changed."

Foreman is happy as an entrepreneur, the boxing mostly an ancient memory for him. But every now and again, he says, he'll cue up a tape of the Rumble in the Jungle, the 1974 classic in which the fearsome young incarnation of Foreman was knocked out, in one of boxing's great upsets, by Muhammad Ali.

"If I watch it 100 times," Foreman says, "each time I still think I'm going to win." He eventually transformed that haunting defeat into a new life, and he's healthy today, while Ali is burdened by Parkinson's. Improbably, perhaps, the two are now friends. On Foreman's last birthday, he says, one of Ali's daughters FaceTimed him and held the phone up for Ali. "He doesn't talk much now," says Foreman, "but when she says, 'Look, Dad, it's George!' then he looks up, and all he has to do is raise those eyes, and everything else comes to life. The guy is still a star. I love this friendship." Foreman grins. He's earned it.

"If I watch [the tape] 100 times," Foreman says of his 1974 loss to Ali, "each time I still think I'm going to win."



Foreman on the mat in the Ali fight

NEIL LEIFER—SPORTS ILLUSTRATED/GETTY IMAGES



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IT'S PRETTY SIMPLE: Companies with goods to ship must ship goods to succeed. It gets complex, however, when a planner acknowledges the landscape of unpredictable operational variables and their costs. This is the value of the exceptional logistics professional.

Take, for example, fuel prices and interest rates. Few expect either of these to stay low for long, but when they'll surge and how high is anyone's guess. On the revenue side, new markets beckon, yet only in the shadow of geopolitical risks stretching from Russia to Nigeria to Thailand. Even domestic trucking is complicated by a shortage of truck drivers, aging fleets, and limited availability.

In this tricky business climate, strategic third-party partnerships are making companies nimbler, smarter, and more efficient.

In the supply chain arena, third-party logistics providers, or 3PLs, supply a reliable infrastructure of transportation, warehousing, and value-added services from kitting to supply chain engineering. Their collective sales grew 5.5%, to $154 billion, in 2014, their fifth consecutive year of growth since the Great Recession.

"Turning a distribution center over to a third-party provider makes your costs more variable," says Rick Blasgen, president and CEO of the Council of Supply Chain Management Professionals (CSCMP). "You might have products that are seasonal, and you can tap into their network of buildings and campuses to move inventory around with flexibility."

Some companies do not just outsource their fundamental operations; they leverage the consultancy and expertise of individual 3PLs. Example: When Daimler needed a central facility for Mercedes-Benz parts in China, the auto giant teamed up with Hong Kong–based Kerry Logistics to design and build its 363,000-square-foot distribution center.

The key is customization. Companies that need supply chain solutions tailored to their respective industry niches are turning to the likes of Ryder, a $6.6 billion company with international operations, to handle everything from perishable foods to critical automotive parts and medical devices, and Kerry Logistics, which also provides integrated logistics and international freight forwarding on a global scale in accordance with industry-specific standards.

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"Our integrated logistics services provide highly customized solutions... from sourcing and manufacturing in Asia to selling globally."

—ROBERT M. BERGER
EXECUTIVE DIRECTOR, KERRY LOGISTICS

Kong of Kerry Logistics.

Partnerships are proving their value, especially where shippers have little margin for error. Trucking marks a good example. The industry will need 500,000 new drivers by 2020, according to the American Trucking Associations. In 2014, the trucking sector operated at close to 100% capacity. Truck rates are now forecast to jump 8 to 15% by mid-2015, according to CSCMP's "State of Logistics Report" update in January.

"2015 is sure to be fraught with shortages and bottlenecks for almost every mode," writes logistics industry analyst Rosalyn Wilson in the CSCMP report. "Rates will rise faster in 2015 to cover the higher costs faced by carriers and to cover needed investment."

But trucking costs haven't squeezed everyone's margins. Royal Building Products found six-figure savings by enlisting Ryder's dedicated trucking service, which provides vehicles, drivers, and management. Ryder Dedicated afforded faster inventory turns, enhanced customer service, and reduced transportation costs through optimizing routes and loads, filling backhaul lanes, and establishing synergies between locations.

With more than 5,000 dedicated truck drivers and approximately 800 carriers in the network, Ryder is attracting customers like Royal who need a reliable stable of drivers and vehicles to match their shipping needs.

"The advantage of working with Ryder is that we can provide a dedicated fleet for routine deliveries, plus a transportation management service with additional flexibility from our pre-qualified carrier base. It delivers the cost, service, and surplus capacity customers need," says vice president Steve Sensing of Supply Chain Solutions.

Overseas, companies face other trucking challenges: crossing borders and negotiating multiple cultures, languages, and regulations. To manage that terrain, many use the Kerry Asia Road Transport (KART) network to move shipments seamlessly through eight countries across the ASEAN region at a cost lower than air shipping and a speed faster than ocean transport.

Then there's the creeping problem of inventory carrying costs, which climbed 3% in 2014 even though interest rates held steady at historically low levels. Should rates go up this year or next, companies are apt to find their bottom lines pinched, unless they take steps to minimize the impact.

To that end, 3PL customers are leveraging IT infrastructure to get up-to-the-minute information on orders and shipments. That level of transparency quickly clarifies whether raw materials, finished products, and transport vehicles are where they need to be as orders come in.

For Ryder customers, IT translates directly into time savings. One firm reduced its order-to-cash cycle by almost 30 days. Others have cut transit times in half. Powerful IT tools provide real-time visibility to enable goods to keep moving seamlessly through the supply chain.

Choosing partners wisely is still of paramount importance. When contracting for transportation or warehousing, companies need to make sure IT systems will be as transparent as they require.

"When brand owners or shippers outsource their logistics to third parties, they may lose visibility of the individual activities along their supply chains," says Berger of Kerry Logistics. "Our proprietary IT platform, KerrierVISION, enables customers to connect all activities with complete visibility, from inventory management to freight forwarding to purchase order management and distribution."

As logistics outsourcing evolves and companies discover these new possibilities, manufacturers, retailers, and other businesses will refocus attention and capital where it belongs: on their core competencies. ●



From inventory management to delivery, Kerry Logistics offers its clients transparency (above); Ryder manages more than 35 million square feet of warehouse space (below).

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Tech



Michael Dubin in a barber's chair at Dollar Shave Club headquarters in Venice, Calif.

E-Commerce

THE CUTTING EDGE OF CARE

A hit YouTube video launched **DOLLAR SHAVE CLUB** into the minds (and medicine cabinets) of men everywhere. But the company is just getting started. ***By Adam Lashinsky***

THE FIRST TIME I BURST OUT laughing while talking to Michael Dubin, the co-founder and CEO of Dollar Shave Club, is when he mentions One Wipe Charlies, which he helpfully explains is his company's "butt wipe for men."

"Have you not heard of this?" he

PHOTOGRAPH BY **MICHAEL LEWIS**

deadpans. "This will change the way you do things." He then reaches into his bag to present me with a sample from his "personal stash." I read from the package: "The civilized way to wipe." Then I ask Dubin, who is 36 and gained YouTube fame in 2012 from the uproarious video he starred in that introduced his shaving subscription company, to explain the product. "Well, it certainly gets a laugh, but members swear by this. I mean, we sell thousands a day of this stuff. From a product level, it's certainly an improvement. It's a problem solver. As we like to say, great things happen when your ass smells fantastic."

Adult butt wipes are serious business for Dubin, who cracks nary a smile despite the scatological subject matter. That's because in a little over two years he has managed to turn a uniquely funny product launch into a real business. "There's a serious purpose behind it," he says, "which is helping guys take care of themselves."

The business has serious numbers behind it too. Dollar Shave Club began in March 2012 as a membership service providing razors by mail. The thinking was that men gave too little thought to their drugstore-purchased shaving supplies and, critically, that they changed their blades too infrequently. First-year sales were $4 million, says Dubin, followed by $19 million in 2013 and $65 million last year. Based on December's figures, Dubin says his company is on track to exceed $120 million in sales this year.

Dollar Shave Club is a social marketing as well as an entrepreneurial success. The YouTube video was key to the fledgling company's awareness. For Dubin, who once worked at *Fortune*'s parent, Time Inc., it also demonstrated impressive frugality: He spent about $4,500 to produce it. "The first couple of days were terrifying," he says. "The site crashed because of the traffic. The video had gone viral. We ran out of inventory in the first six hours."

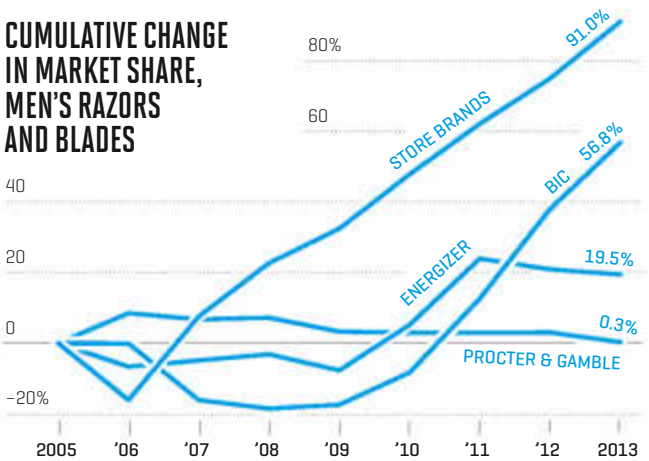
In many ways Dollar Shave has grown up considerably in two years. It continues to rely on humor, but now its ads run on broadcast television. (A recent campaign mocks drugstores for keeping razors under lock and key, making life difficult for men who want to buy them.) It now sells three kinds of blades, shave "butter," post-shave moisturizer, and wipes to 1.5 million customers who receive a shipment at least every other month.

Dubin has designs on the rest of a man's medicine cabinet. He says that in the spring the company will expand into new, as yet undisclosed "personal care" lines. "We ask ourselves, 'What other problems can we solve for guys?' You'll see us start to make a transition into a company with more of a grooming mission."

Despite its diminutive size, Dubin sees Dollar Shave Club as a giant killer. He swipes at L'Oréal and Unilever, the company behind the brands Axe and Dove, for marketing men's grooming products like energy drinks. "They're generalizing, saying things like 'Guys are Neanderthals' and 'They don't care about the ingredients that go into these things.' And that's BS because guys do care if they achieve certain benefits."

After all, potty humor may move merchandise, but good hygiene is no laughing matter.

CUMULATIVE CHANGE IN MARKET SHARE, MEN'S RAZORS AND BLADES



GRAPHIC SOURCE: EUROMONITOR INTERNATIONAL

A THOUSAND SPLENDID PUNS



"OUR BLADES ARE FKING GREAT"**
The video that launched a thousand shaving subscriptions. Dubin makes his case directly to the camera with the help of a person in a bear suit, a leaf blower, and an American flag.



"LET'S TALK ABOUT NO. 2"
With the company's second video comes the debut of One Wipe Charlies. "You shouldn't have to be Special Forces to extract a bad guy with speed and precision," Dubin quips, rifle in hand.



"PAY UP"
In exchange for a pack of replacement razor-blades, a gum-chewing cashier demands a man's cash, watch, belt, shirt, and pants. "Still getting beat up by high razor prices?" Dubin asks viewers.

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A LANDMARK ELECTION saw Nelson Mandela win the presidency of South Africa in 1994—and KPMG was there, certifying the ballots. In 1981, U.S. hostages held in Iran for 444 days were finally released; KPMG was working behind the scenes to resolve conflicting financial claims. While New York City was reeling from the attacks of 9/11, KPMG remained stalwart, monitoring the recovery efforts around the clock. And in 1941, President Franklin D. Roosevelt tapped a senior KPMG partner to manage the Lend-Lease program, paving the way for the Allies' victory in World War II.

"Culture is the foundation of all our success at KPMG, and finding greater meaning in our work is critical to building that strong culture," says John Veihmeyer, KPMG chairman and CEO. "Our people want to make a positive impact on the world."

To that end, KPMG recently invited its people to share their own stories of higher purpose. More than 40,000 responses flooded in—stories of revitalizing villages in Africa, advancing scientific research in the Antarctic, ensuring that excavated minerals are "conflict free" of child labor, and helping to make sure families have access to affordable health care.

A sense of higher purpose has always been part of the firm's DNA, says Bruce Pfau, KPMG vice chair of human resources and communications. "The idea of working here for a purpose—of inspiring confidence and empowering change—has been a part of our culture for as long as anybody can remember," he says. "It's always been understood implicitly, but now we've begun to talk about it explicitly—and it's having a positive effect on our firm."

Globally, KPMG member firms recorded aggregate revenues of $24.8 billion for fiscal 2014, their best performance ever. And morale scores in the U.S. are at historic highs. "Our success comes from our people putting our values and purpose into action," says Veihmeyer, "knowing that KPMG is not only doing well, it's also doing good." ●

SOURCES: 2014 Great Place to Work.® Trust Index® Employee Survey; KPMG

FORTUNE 100 BEST COMPANIES TO WORK FOR



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Tsuga married Japanese tradition with American resourcefulness.

PANASONIC'S POWER PLAY

President **KAZUHIRO TSUGA** explains how he pulled the company back from the brink and set it on a path to profitability—with Elon Musk as his lodestar. ***By Peter Elkind***

PANASONIC WOULD HAVE gone bankrupt if not for the "emergency" measures taken by Kazuhiro Tsuga. In an exclusive interview with *Fortune* at this year's Consumer Electronics Show in Las Vegas, Tsuga, who has transformed the electronics giant since becoming its president in June 2012, said radical steps were needed to save one of Japan's largest corporate employers.

At the time, Panasonic was in big trouble. It had racked up a staggering loss of $10.2 billion for the fiscal year after pursuing a failed strategy that emphasized its consumer electronics business, which included televisions and mobile phones, at a time when competition was rapidly eroding profits. Panasonic needed "to stop the loss-making quickly," says Tsuga. "We had to change from just being a consumer-electronics-based company to something else."

So Tsuga abandoned products, shuttered plants, and outsourced manufacturing. He consolidated Panasonic's sprawling operations, which included 579 separate subsidiaries, into five divisional companies focused on three strategic regions. He vowed to improve—or exit—all businesses that fail to make at least a 5% profit.

He also cut costs in ways large and small that are more typical of an American takeover artist than a lifer at a tradition-bound Japanese conglomerate. Tsuga suspended Panasonic's quarterly dividend, paid out since 1950; cut managers' winter bonuses by 35%; imposed across-the-board pay cuts; stripped 35 top executives of their company cars and drivers (he still has his own); and cut off funding for Panasonic's popular corporate-sponsored badminton and basketball teams. He also shrank the staff at the company's headquarters in Osaka from 7,000 to 130 and cut Panasonic's total employee headcount (330,762 when he took over) by 68,000.

Meanwhile Tsuga aggressively expanded Panasonic's efforts in business-to-business enterprises, such as automotive electronics, "green" housing construction in Asia, and the manufacture of electric-car batteries through a high-profile partnership with Elon Musk's Tesla Motors.

"We are too conservative. We are a 95-year-old company," he says. "We have to change. We have to use some of Elon's thinking."

The results have been dramatic. Panasonic returned to profitability in fiscal 2014 and reinstated its dividend. Long known in the U.S. as a TV maker, it now generates just 23% of its global sales (and only 15% of its North American business) from consumer electronics. It's currently on the hunt for strategic acquisitions to reach its goal of growing revenues to 10 trillion yen by 2018. (Fiscal 2015 revenues are projected at 7.75 trillion yen.) Since Tsuga took over, the company's stock price has more than doubled.

TSUGA: JUNKO KIMURA—BLOOMBERG VIA GETTY IMAGES; TESLA: TORU HANAI—REUTERS



Tsuga admires a Tesla Model X at the 2015 Consumer Electronics Show.

Appointed at age 55, Tsuga was an improbable corporate revolutionary—and a surprise choice as company president. He graduated with a degree in bioengineering in 1979 and spent his entire career at Panasonic, much of it in research and development roles. In winning the top job, he leapfrogged a cadre of older, more experienced managers.

I interviewed Tsuga in a small conference room at the Las Vegas Convention Center, where I arrived to find eight of his deputies sitting beside him. Printed name cards designated the seating arrangement. Throughout our 48-minute conversation, his aides listened intently, carefully monitored the time, and occasionally helped their boss with his English.

Tsuga says the company's 2012 crisis was a chance to force change at a company where it might otherwise have been impossible. Aggressive actions signaled that Panasonic—founded in 1918 and long known in Japan as Matsushita—was "in a very urgent" and "very terrible" situation, he says. "We had to change—re-create Panasonic. From that point of view, it was a good opportunity."

Tsuga—an admitted car buff who speaks nostalgically about the 1965 Ford Mustang he drove while studying at the University of California at Santa Barbara in the mid-1980s—is especially enthusiastic about his collaboration with Tesla.

"WE ARE TOO CONSERVATIVE. WE HAVE TO CHANGE."

Tesla CEO Musk has "great character," Tsuga says.



In July, Panasonic signed a partnership with the electric-car maker to help build and operate a massive lithium-ion battery "gigafactory"—so big that it will double current worldwide cell production. The project is aimed at cutting battery costs for Tesla's promised mass-market electric car, helping reduce its sticker price to $35,000. The $5 billion facility is now under construction in the Nevada desert outside Reno. CEO Musk's audacious goal: to sell 500,000 electric cars (more than 10 times Tesla's current production) by 2020.

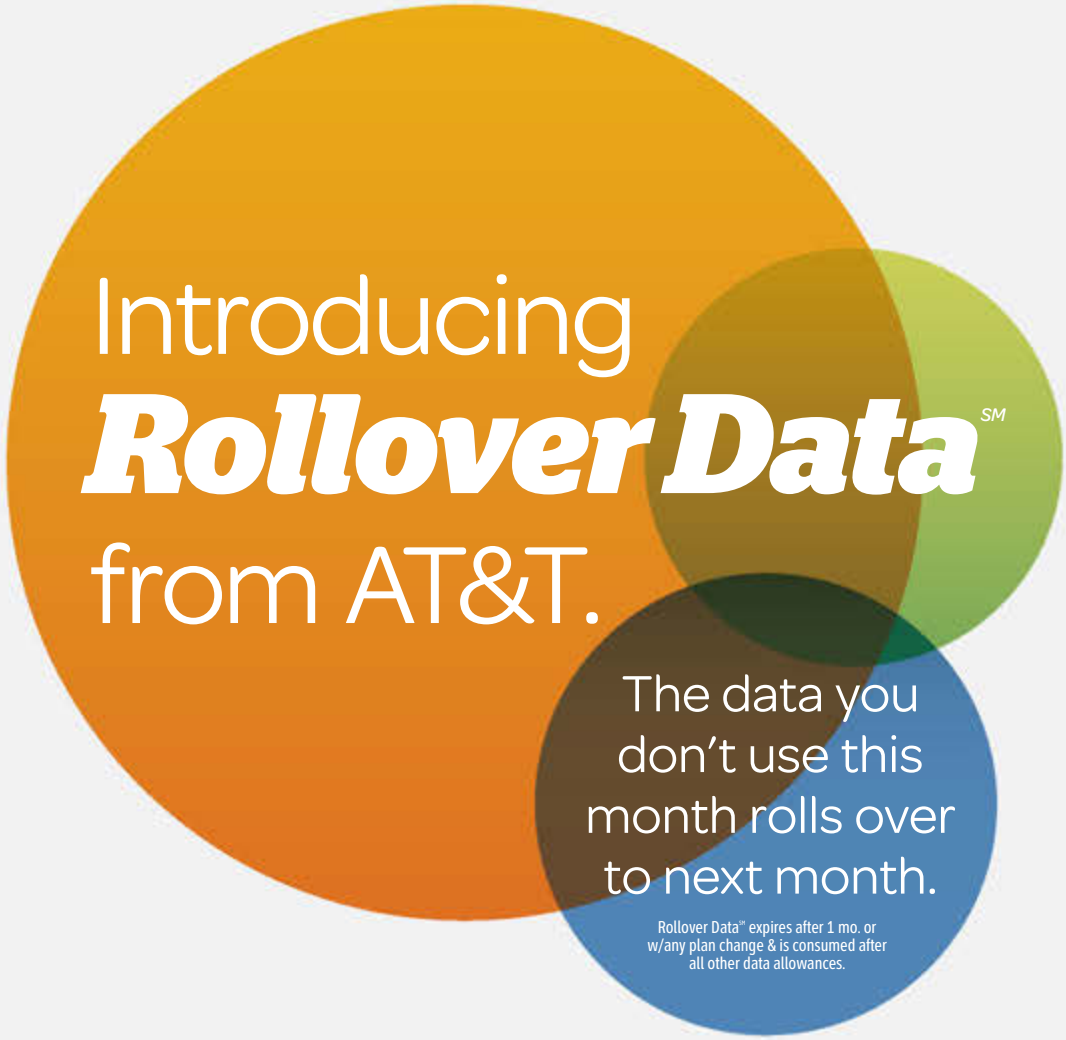
Musk has publicly said that he expects his battery partner to provide about 40% of the gigafactory's total cost, which would be $2 billion. Tsuga says he has committed no 10-figure check, and that Panasonic plans to invest in eight stages, starting with an initial tranche of $300 million. The total (and timing) is subject to change, says Tsuga: "If the demand for Tesla cars becomes less than their expectation, we simply have to slow down our investment, that's all."

But Tsuga believes there is opportunity to build batteries for stationary energy storage for solar panels as well as cars, and to increase Panasonic's share of electronic car components. "For us, if the EV market grows rapidly, it will be totally good for business in various senses," he says. "So we asked ourselves, Who is most seriously thinking about EVs? Tesla. That's why we are working so closely with them."

Besides, the chance that some of Musk's moon-shot magic will wear off on stodgy Panasonic can't hurt.

"Great guy!" Tsuga says. "Even though he knows the difficulties, he can think quite optimistically. That's why I love to work together with him."

MUSK: DAVID CALVERT—BLOOMBERG VIA GETTY IMAGES; TSUGA: COURTESY OF PANASONIC



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COMPANY SPOTLIGHT

SCRIPPS HEALTH INVESTS IN ITS EMPLOYEES, OFFERING FLEXIBILITY, ENGAGEMENT, AND A NO-LAYOFF PHILOSOPHY

When staffing needs change, San Diego–based **Scripps Health** offers employees the opportunity to retrain and establish new careers. The result: Three-quarters of all job openings are filled by existing Scripps employees.

IN A RAPIDLY CHANGING INDUSTRY, Scripps Heath sees its people as its market differentiator. "Holding on to our talent is very important," says Vic Buzachero, corporate senior vice president for innovation, human resources, and performance management. So the $2.6 billion nonprofit integrated health system has created programs to keep employees engaged and fulfilled.

In the past 15 years, for example, employees whose positions have been eliminated due to business needs access the Career Resource Center, where they are trained for other open positions. That kind of investment in training not only creates employee loyalty, but it also improves the bottom line by reducing severance and other costs.

Scripps also embraces flexibility, accommodating people at different life cycles of their careers. By rejecting the one-size-fits-all approach, the company is able to stay nimble in meeting the needs of its employees, offering benefits ranging from on-site childcare, job sharing, and telecommuting to professional development, job retraining, and staged retirement. "You can come and stay for your entire career," says Buzachero.

The corporate culture encourages employee participation in decision-making and problem-solving. "The best want to be engaged. They don't want to just be told what to do," says Buzachero. So Scripps leadership has created performance improvement programs that allow employees to share ideas with management and establish mentoring relationships.

Four years ago, for example, Scripps launched Employee 100 as a pilot program, inviting 100 employees to meet regularly with the company CEO. The idea: to create a forum for sharing ideas and business strategies. The 100 employees, in turn, share what they have learned with their colleagues.

"We're on track to have another record year," says Buzachero.

90%

of respondents said they are proud to tell others they work at Scripps.

86%

say they believe management would lay people off only as a last resort.

89%

say Scripps offers special and unique benefits.

SOURCE: 2014 Great Place to Work.® Trust Index® Employee Survey



YOU'RE FIGHTING CANCER WITH EVERYTHING YOU'VE GOT.

WE'RE HERE TO FIGHT IT WITH YOU — WITH EVERYTHING WE'VE GOT.

Steve Scott
Former Olympian
Cancer Survivor

Three-time Olympian Steve Scott is used to overcoming challenges. So when he was diagnosed with prostate cancer, he was ready to fight. Not comfortable with watchful waiting or conventional treatments, Steve went the extra mile to find the best possible treatment — and medical team — to help him beat it.

Steve chose proton therapy at the Scripps Proton Therapy Center in San Diego. Proton therapy is one of the most advanced and precise ways to treat prostate and many other cancers. With minimal side effects, proton therapy also spares healthy tissue. And the center's medical director — Dr. Carl Rossi — had the track record Steve was looking for. Dr. Rossi has treated more prostate cancer patients using proton therapy than anyone else in the world.

Throughout the eight weeks of treatment, Steve didn't miss a workout. Now, he's looking forward to spring track season with his cross-country and track teams cheering him on every step of the way.

To learn more proton therapy, go to **scripps.org/stevescottsstory**.
To schedule a consultation with one of our physicians, call **855-969-3751**.

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CROOK, LINE, AND SINKER

Wary of thieves impersonating it in emails, **AETNA** adopts an authentication protocol that nets fraudulent messages and helps pinpoint who sent them. ***By Robert Hackett***



THE CABLE GUY, or so he claims, shows up at your doorstep and inquires about your Internet connectivity. He needs to do a quality check; it should take only a minute. Before you know it, you get conked on the head and burglarized. Turns out he's an imposter.

In the digital world that well-worn con is known by another name: phishing. It's what happens when someone masquerading as a trusted source sends you an email, then attempts to trick you into revealing sensitive information. Banks, retailers, publishers, manufacturers—companies in every industry are liable to be impersonated in a phishing attack, their brand misused to expose personal information that could be used for spying or access to other private accounts.

Medical insurer Aetna refuses to let its customers be swindled. The company, based in Hartford, is the only major U.S. health insurer to implement the latest email security measures, according to the cybersecurity firm Agari, protecting itself and its reputation from being spoofed.

One of the sharpest tools in its arsenal is a technology called DMARC, which stands for domain-based message authentication, reporting, and conformance. The protocol, pioneered by PayPal, runs messages against a few criteria (Does the note come from an approved sender? Does it bear a verified signature?) and discards the rejects. What makes DMARC special, and different from its predecessors, is that it provides regular feedback reports so that companies can better understand who has been trying to ape them.

Jim Routh, Aetna's chief information security officer, says implementation of DMARC is one of about 30 data-protective projects he spearheaded last year. It's also one of the least costly. (He declined to reveal the exact price tag.) "I came from the financial services industry and had done this project and seen the benefits before," he says. Routh's former employer, J.P. Morgan, was one of the first companies to successfully use DMARC. (Chase also received top marks from Agari.) Routh estimates that the technology stops 60 million Aetna-imitating spam messages each year from reaching unsuspecting users, whether they're actual customers or not.

Aetna isn't just promoting a safer Internet with its tactics; it's also protecting its brand, lowering operating costs, and improving engagement with its genuine email campaigns. "You have to make it so hard for your attackers to get your information that they attack someone else," says Steve Jones, executive director of the eponymous organization behind DMARC. "It's a little Darwinian."

So the next time the cable guy knocks on your door inquiring about service quality, ask him if he's willing to undergo a check of his own. It should only take a minute.

AETNA

COMPANY SNAPSHOT

RANKING 57

HEADQUARTERS Hartford

EMPLOYEES 47,000

REVENUE $58 billion



GRAPHIC SOURCE: SYMANTEC INTELLIGENCE REPORT

ILLUSTRATION BY **MARIO WAGNER**



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Invest



Stocks

The Science of Making Money in Biotech

Breakthroughs in the lab are driving big returns—but beware the meltdowns. ***By Jen Wieczner***

STANDING OVER a microscope at Regeneron Pharmaceuticals recently, Andy Acker and his fellow portfolio managers marveled as scientists created what would become a veritable litter of genetically modified "knockout mice"—key in the study of gene function—in under five minutes. It used to take two years to create just one.

To Acker, the moment was emblematic of the countless ways in which the biotechnology industry is breaking new ground. "We're practicing science fiction today," says Acker, whose $3.6 billion Janus Global Life Sciences Fund

ILLUSTRATION BY **JESSE LENZ**

has returned nearly 14% annually for the past 10 years, propelled by biotech winners. "The excitement level for the sector I think has never been higher."

Indeed, biotech companies are churning out innovations at a breakneck pace, from near cures for cancer and hepatitis C to unprecedented achievements in editing a person's actual DNA. And the sector's stock performance has been almost as exciting: The Nasdaq Biotechnology index has nearly quintupled over the past decade and returned 34% last year alone—easily eclipsing the S&P 500's gain of 11% for 2014.

The bullishness is palpable. Even President Obama, in his State of the Union address, exalted a cystic fibrosis drug by Vertex Pharmaceuticals—signaling to some analysts that a golden era of pharma regulation had dawned. The FDA approved 100% of the 41 novel drug applications in 2014, the most new drugs in any year except 1996. "Pipelines across the industry as a whole are richer than anything I've ever seen," says Robert "Dr. Bob" Deresiewicz, a partner at Wellington Management and a onetime physician who helps oversee the USAA Science and Technology Fund.

Biotech has helped drive the recent outperformance in the health care sector. When all 2014 earnings reports are tallied, health care companies are expected to have had the highest earnings growth (16.5%) of any S&P 500 sector and double the index average, spurred by an 85% surge in biotech, according to S&P Capital IQ.

That hot streak has stretched stock valuations to the brink. Trading at 49 times projected earnings for 2015, the Nasdaq Biotechnology index is more than twice as expensive as the overall Nasdaq. Those teetering heights have tested investors' nerves—especially since nearly three-quarters of the companies in the biotech index are not yet profitable. "You're giving a lot of credit to a company that has no approved products but has something in the pipeline that's interesting," says Artisan Partners' Matt Kamm, who helps manage some $24 billion. "And that can be dangerous."

Biotech investing is largely an all-or-nothing kind of activity: Drugs either work or they don't, says Deresiewicz. And when they truly benefit patients, they can deliver explosive, grand-slam growth. "My belief is firmly that the real sweet spot for making money in biotech is in the transition from obtuse asset to asset," he says.

As a result, most biotech bulls try to focus on companies with huge future growth potential rather than worrying about today's meager or nonexistent income. "Where are the pockets of unmet need in the world today? Is it another app for our smartphone, or is it going out and curing one of the diseases that has plagued humanity for centuries?" asks Finny Kuruvilla, a doctor-turned-investor who runs the No. 1–ranked $1.3 billion Eventide Gilead Fund, with 25% in biotech (the fund bears no relation to biotech behemoth Gilead Sciences). "For me, what's exciting about biotech and health care investing is that it's much more challenging."

A part-time venture capitalist, Kuruvilla is betting on experimental companies such as **Bluebird Bio,** which has reported encouraging results in modifying the cells of patients with blood disorders, reducing the need for transfusions. He also likes **Chimerix,** which is working on an antiviral drug for Ebola. To limit his risk, Kuruvilla sticks to small stakes on individual names and keeps a close eye on clinical-trial papers. A regular investor looking for exposure might consider a diversified ETF such as **iShares Nasdaq Biotechnology.**

The volatility in biotech can be vexing even for industry veterans. Witness Wen-Tse Tseng, a former Amgen research scientist who manages $9 billion for AB (previously AllianceBernstein) and is currently underweighting biopharma because of the sector's high failure rate. One stock Tseng is betting on now is **Puma Biotechnology.** But he bought in too late to score big when the stock quadrupled in a single day last summer after encouraging breast cancer trial results. Missing the occasional bonanza, however, bothers him less than riding along on the crashes. "If you have a disappointing outcome, you pretty much wipe out the valuation of the whole company," he says.

"Pipelines across the industry as a whole are richer than anything I've ever seen."
—Bob Deresiewicz, partner at Wellington Management

Kamm of Artisan Partners tries to avoid that type of setback by opting for companies that already have FDA-approved drugs on the market, as well as more up their sleeve. "We always prefer companies that have multiple shots on goal," he says. A couple that he likes in that category are **Incyte** and **Isis Pharmaceuticals,** both of which have already brought a drug to market and have others in the pipeline. "It gives us the confidence that a company is not a one-hit wonder," says Kamm.

A mix of strategies has worked for Acker of Janus. He has owned two of his favorite stocks, **Celgene** and **Alexion,** since before they began selling now-blockbuster drugs. Both are still finding new indications for those medications, expanding their potential. Celgene, for one, recently forecast that it will grow earnings 23% annually through 2020. "Very few companies can do that," Acker says. Then there is **Regeneron,** which, in addition to making mice, has impressed Acker with its ability to manipulate genetic material to create highly targeted treatments. He expects the miracles to keep on coming.

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COMPANY SPOTLIGHT

ST. JUDE CHILDREN'S RESEARCH HOSPITAL: A GLOBAL LEADER IN THE FIGHT AGAINST PEDIATRIC CANCER

Even though James R. Downing, M.D., had been at **St. Jude Children's Research Hospital** for almost 30 years when named CEO last June, he embarked on a tour of the growing Memphis campus.

"I WANTED TO GIVE EVERYONE AN OPPORTUNITY TO TELL ME what they thought about their work and about St. Jude," he says. "From the lab to the clinic, St. Jude has a legacy of success and a culture that allows people to make the most of their careers. That helps inspire big ideas and makes us a special place to work."

Indeed, 97% of St. Jude employees say they are proud to tell others they work at the hospital, which enjoys an enviable 5% employee turnover. Unmatched pride, dedication, and a sense of collaboration are at the crux of the hospital's pioneering research that is helping unravel the mysteries of childhood cancer. Many children are alive today in the U.S. and throughout the world because of treatments developed at St. Jude. With Downing at the helm, the work continues.

St. Jude is launching the second phase of its $95 million Pediatric Cancer Genome Project, which—in five brief years—has produced advances in understanding the genetic factors behind some of the most aggressive and poorly understood childhood cancers. Another groundbreaking program set for expansion is St. Jude LIFE, which brings thousands of childhood cancer survivors treated at St. Jude back for clinical evaluations of the long-term effects of treatment and helps them remain healthy throughout adulthood.

St. Jude, which freely shares its discoveries around the world, recently opened the Marlo Thomas Center for Global Education and Collaboration. It is a key piece in a new research and care tower that will become the hub for the St. Jude International Outreach Program. This innovative program aims to improve childhood cancer survival rates worldwide through 25 official partner sites in 17 countries. Also on the horizon: the 2015 opening of the only proton therapy center solely for the treatment of children. The center will provide targeted, high-dose radiation therapy while minimizing damage to surrounding healthy tissue that could suffer during other forms of radiation therapy.

"We have the best mission in the world," Downing says. "We're here for the kids." And helping them live healthier, longer lives is a key part of the St. Jude mission. ●

95%

of St. Jude employees say: "When I look at what we accomplish, I feel a sense of pride."

94%

St. Jude has helped increase the survival rate for acute lymphoblastic leukemia from 4% in 1962 to the current 94%.

94

–PERCENT–

of employees say: "My work has special meaning. It's not 'just a job.'"

SOURCES: 2014 Great Place to Work.® Trust Index® Employee Survey; St. Jude

Finding cures. Saving children.®



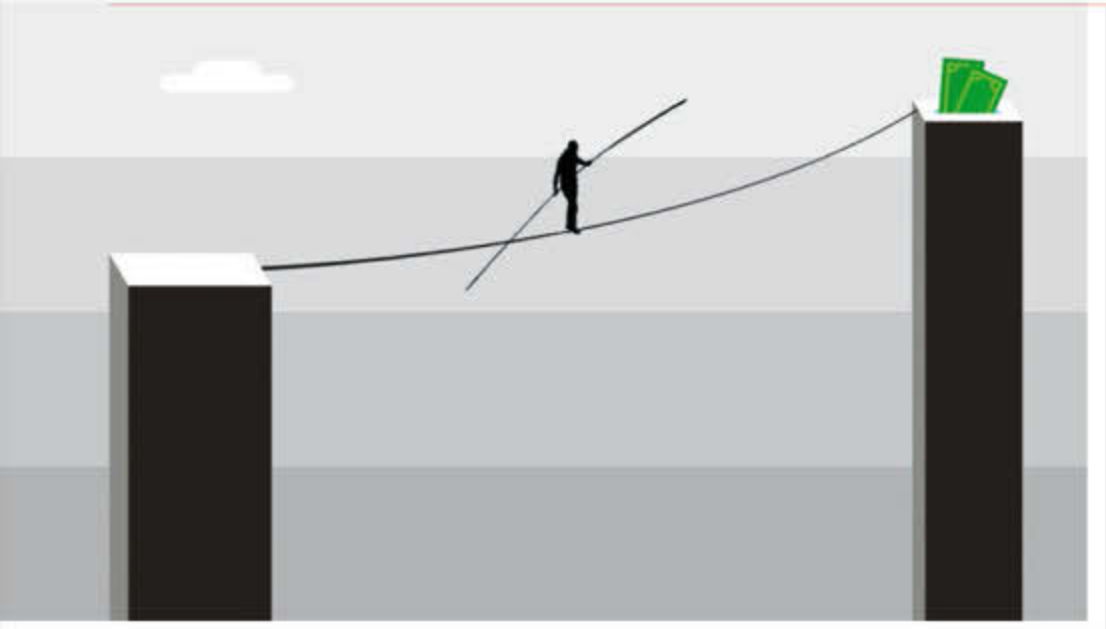
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Learn more at stjude.org.

St. Jude Children's Research Hospital

REACH FOR HIGH YIELD

AFTER A ROUGH STRETCH FOR RISKY DEBT, THERE ARE LOTS OF REASONS TO LIKE JUNK BONDS RIGHT NOW. *By Janice Revell*



For most of the past year, investors looking for juicy returns in riskier corporate bonds have been sorely disappointed. The Barclays U.S. Corporate High Yield index returned just 2.8% over the 12 months through late February, well below the 5.4% return for the broader Barclays U.S. Aggregate Bond index. Much of that underperformance can be attributed to plunging oil prices, which have caused investors to flee higher-risk energy bonds. But many analysts say the selloff—which has spilled over to other areas of the high-yield bond universe—is overdone and has now created an attractive buying opportunity.

High-yield (a.k.a. junk) bonds are issued by companies with less-than-stellar credit ratings; in return for a greater risk of default, they offer fatter yields. About 15% of the issuance in the high-yield bond sector comes from energy firms. With oil prices cratering, yields (which move in the opposite direction of prices) have spiked higher. Currently the difference between the yield on the overall junk-bond market and Treasury bonds with comparable maturities stands at about 4.6 percentage points—a sharp rise from the 3.3 percentage-point differential in the summer of 2014, before oil prices began to fall.

The oil price plunge, however, is a major positive for many of the remaining 85% of junk-bond issuers, which could benefit from cheaper energy. And corporate balance sheets in general are getting healthier as the economy recovers, so the risk of junk-bond default remains relatively low. Credit agency Fitch Ratings projects that the default rate among high-yield issuers will remain between 1.5% and 2% in 2015, well below the historical average of just over 4%. Mark Haefele, chief investment officer of UBS Wealth Management, notes that prices for high-yield energy bonds are now implying a lofty default rate of 10% over the next 12 months. "We believe risks are priced in," says Haefele, who has an overweight rating on the overall U.S. high-yield bond market.

High-yield bond prices are also likely to hold up better than the broader fixed-income market if interest rates rise—a very real possibility, given that the Federal Reserve is widely expected to raise interest rates in 2015. In four of the past five cycles since 1986 during which the Fed hiked rates, the Bank of America Merrill Lynch High Yield index outperformed the Barclays U.S. Aggregate Bond index, notes Zane Brown, a fixed-income strategist at Lord Abbett.

The easiest way to gain diversified exposure to junk bonds is through a mutual fund or an ETF. Investors can hedge against the impact of rising interest rates by choosing funds that specialize in shorter-maturity bonds, which offer lower yields but are far less susceptible to price drops when rates rise. One solid choice is the **SPDR Barclays Short Term High Yield Bond ETF,** which has a duration (a measure of a bond's price sensitivity to changes in interest rates) of 2.4 years and yields 5.4%. Another option, the **Pimco 0–5 Year High Yield Corporate Bond Index ETF,** has an even lower duration of two years and yields 4.4%. That's the kind of junk worth collecting.

A former compensation consultant, Janice Revell has been writing about personal finance since 2000.

ILLUSTRATION BY OLIVER MUNDAY

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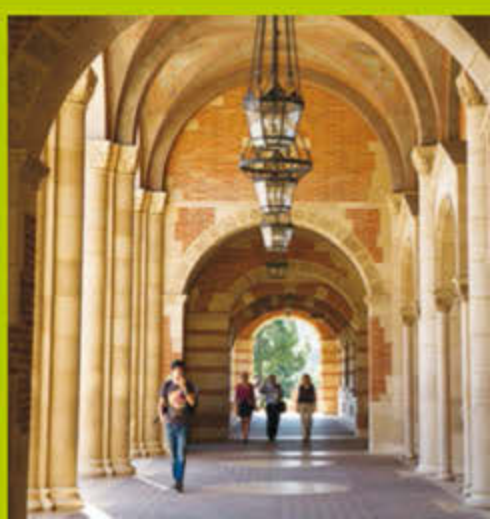


LOS ANGELES

The once-forgotten Los Angeles River is increasingly a destination for recreation. An appealing residential infrastructure is emerging downtown. The county rivals Silicon Valley in number of high-tech jobs. It's not just the temperature that's hot in Los Angeles: **Business is booming in the City of Angels.**







A BOOMING TECH SECTOR, A DOWNTOWN RENAISSANCE, A MAYOR COMMITTED TO EXPANSION. **L.A.'S THE PLACE TO BE.**

Los Angeles Is Hot for Business



A conceptual rendering of public space in L.A.'s Cleantech Incubator (LACI), which will be part of the Cleantech Corridor along the Los Angeles River.

ON THE EASTERN EDGE OF downtown Los Angeles, on land not long ago blighted by abandoned industrial buildings, sits the La Kretz Innovation Campus. A few months from completion, the $43 million facility will symbolize a new Los Angeles: It will house LACI (L.A.'s Cleantech Incubator) and anchor the Cleantech Corridor, a four-mile strip of land along the Los Angeles River appropriated for the city's new green economy.

In the corridor—part of the once-desolate and now thriving arts district—creative-industry employees live in converted warehouses and lofts; the area is poised to further downtown's recent renaissance as a lively and prosperous community dotted with arts venues, restaurants, and bars. Large residential structures are going up; the once-grand Broadway shopping district is about to be transformed by one of downtown's largest projects in the past two decades; the Broad will open on Bunker Hill in September; and two months later, Whole Foods is slated to make its debut. *GQ* last year called downtown L.A. "America's next great city."

The dynamism in DTLA—as it's known by those who live there and tweet about it—is emblematic of the exuberance extending throughout the L.A. metropolitan area, the country's second largest. "There's a renewed sense of energy, optimism, and vitality," says Kimberly Ritter-Martinez, an economist at the nonprofit Los Angeles County Economic Development Corporation (LAEDC). "People are excited. You can feel it, talking to local businesspeople, reading the newspaper. You even see it in the street, with cranes up again and people carrying shopping bags."

The Guardian last year conducted its first global brand survey of 57 major cities, assessing assets

LA KRETZ INNOVATION CAMPUS / LACI









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"Los Angeles is experiencing a renaissance that I haven't felt since I was a kid."



Eric Garcetti
Mayor of Los Angeles

like attractions, climate, safety, infrastructure—particularly transport—and economic prosperity, then calculating their buzz based on mentions in traditional and social media. Los Angeles beat out New York, London, and Paris to take the title of Most Powerful Brand City in the World.

The Guardian got it right: There is an undeniable cachet to L.A., and the climate is pretty great, with high temperatures averaging 75 degrees. As the entertainment capital of the world, the city serves up a buffet of varied cultural offerings. The city's transportation infrastructure and geographic location have made L.A. an international trade center and offer keen advantages to local companies doing global business. The Los Angeles–Long Beach port complex is the largest in the Western Hemisphere, handling over 40% of container goods going in and out of the country, while LAX (less commonly known as Los Angeles International Airport) is the world's sixth-busiest airport and the top gateway for goods and travelers to and from the Asia-Pacific region.

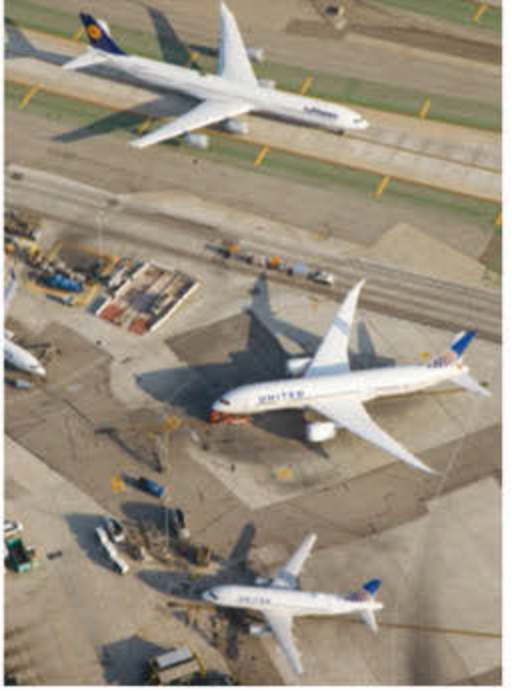
BUSINESSES AND JOBS

After a tough recession, the City of Angels has risen again, according to LAEDC's 2015–16 forecast: GDP has been increasing steadily in L.A. County; more than 78,000 jobs were added last year across a broad swath of industry sectors, and 63,000 new jobs are projected for 2015.

On Southern California Public Radio last July, L.A. Mayor Eric Garcetti, reflecting on his first year in office, cited a few of his successes, including more than 26,000 new businesses established and a 3.1% decline in the unemployment rate. "The proof is in the pudding," he said.

Garcetti, 44, came into office pledging to get back to basics—improving quality of life, stimulating job growth, and making it easier to do business in the city. He's delivering: Last month he won the city council's approval of a cut in the city's gross receipts business tax that he—and the business community—had long sought. The day he signed it into law, another big piece of his economic agenda moved forward when the influential Los Angeles Business Council endorsed his plan to raise L.A.'s minimum wage.

In November, Garcetti targeted the cumbersome process of dealing with multiple city agencies to secure building permits, implementing a program that will consolidate functions and is expected to reduce construction times by three to six months for at least 600 buildings each year. He has helped secure film tax credits and incentives to encourage movie and television productions to stay local, and last fall he led a trade delegation to Asia, a key





Passenger planes populating Los Angeles International Airport (above). AECOM's design and construction projects have helped develop the Port of Los Angeles (below).

TOP: MIKE KELLEY; BOTTOM: AECOM BY DAVID LLOYD


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> We were an important part of the industrial growth of Los Angeles. We're loyal to Los Angeles."
>
> **David Hannah,**
> *CEO and Chairman, Reliance Steel & Aluminum Co.*

source of L.A.'s sizable foreign investment.

After several years of debt woes, the mayor has even stabilized the city's finances, not only balancing the budget but also establishing the largest reserves in a decade, prompting a ratings upgrade from Moody's Investors Service in December, three months after Standard & Poor's issued a "positive outlook" for the city.

"Los Angeles is a true melting pot and incubator of ideas, innovation, and entrepreneurial spirit," says Chris Von Der Ahe, senior client partner and Southern California managing director at Korn Ferry, the world's largest executive search firm and a top talent management consultancy. "The area's business diversity is also unique, spanning an array of industries ranging from financial services and health care to consumer goods, entertainment, technology, manufacturing, education, and more."

The company, which has been based in L.A. for 46 years and generates $1 billion in annual revenue, has itself been diversifying. While 58% of Korn Ferry's business is still executive search, it now offers leadership development, training, and, through its Futurestep subsidiary, recruitment outsourcing. Says Von Der Ahe: "What distinguishes us is our ability to connect the dots across a company's entire talent continuum, helping organizations design, build, and attract their talent."

As Von Der Ahe notes, Los Angeles has a remarkably diverse economy, with established industries including spanning consumer, aerospace and defense, finance, health care, biosciences, education, fashion, tourism and hospitality, design, media, entertainment—of course—and manufacturing.

"People think of L.A. mostly as movies and studios. It's not seen as a manufacturing area," says David Hannah, CEO and chairman of Reliance Steel & Aluminum Co. In fact, L.A. County is the nation's largest manufacturing center. Reliance opened in 1939, ahead of the World War II industrial boom, and continued building its success in supplying metals to small businesses and job shops. "We were an important part of the industrial growth of Los Angeles," says Hannah. The company grew, too, expanding to more than 300 locations worldwide and over $10 billion in revenue. Reliance became an early pioneer of the downtown renaissance when its headquarters relocated there from the industrial neighborhood of Vernon in 2001. "We're loyal to Los Angeles," says Hannah.



A Reliance employee removes excess scrap from a beam to be used in commercial fabrication or marine construction.

NEW GROWTH

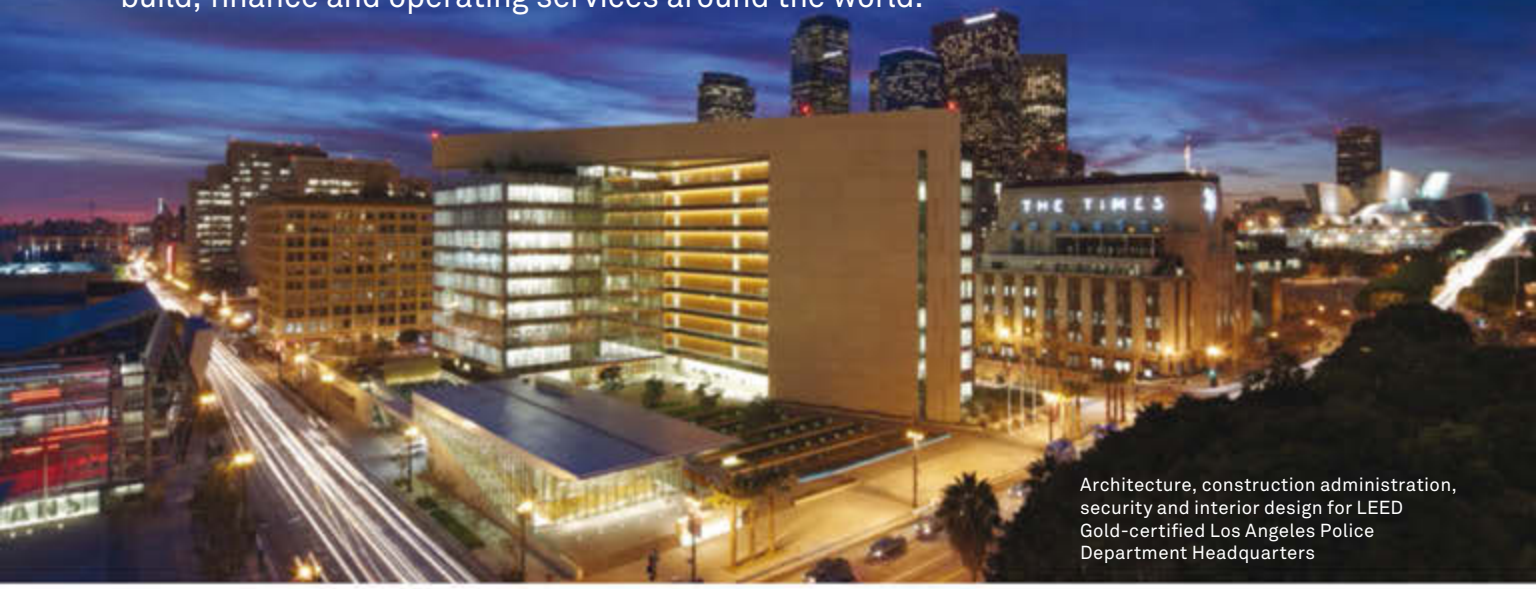
Just as businesses like Reliance have grown with L.A., city leaders look to today's new businesses to further expand its prosperity. In 2012, almost a year before becoming mayor, Garcetti successfully pushed the city council to extend a program through 2015 that exempts new businesses from city business taxes during their first three years of operation. Last year he launched an Entrepreneur in Residence program, hiring two entrepreneurs to help develop ideas to boost the economy.

"His goal is to make our city the leading destination for people starting new businesses," says Jan Perry, general manager of the city's Economic and Workforce Development

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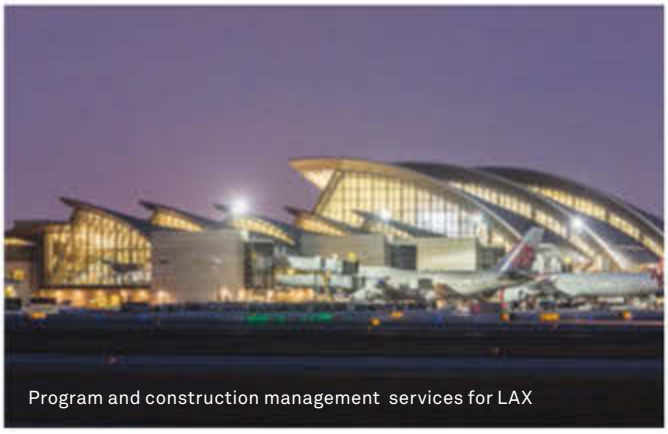
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Program and construction management services for LAX



Integrated delivery, including direct investment, for a multifamily apartment project in Downtown Los Angeles

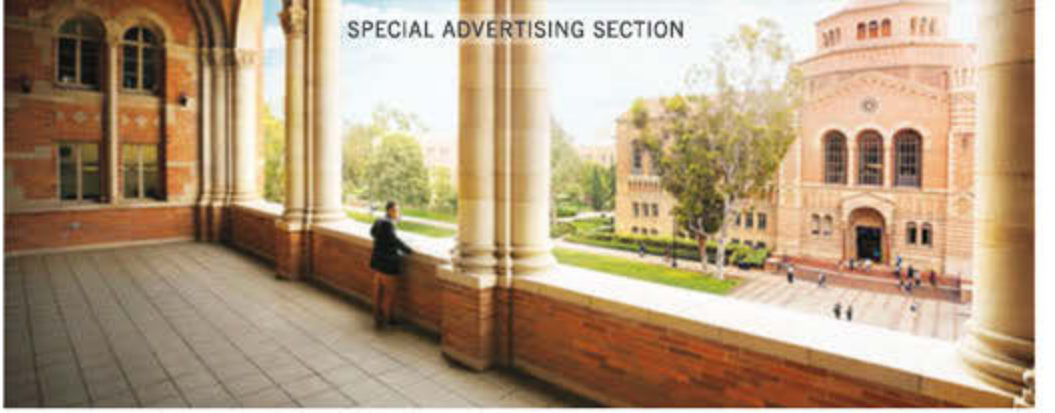
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> **Chris Von Der Ahe**
> *Senior Client Partner, Korn Ferry*

Department (EWDD), which provides services to startup ventures and small-business owners, including consulting, business courses, and financial assistance, through its BusinessSource Centers.

EWDD also helps supply businesses small and large with skilled workers. Last year Garcetti helped secure $18 million in annual funding for up to five years for an EWDD jobs program that trains and places Angelenos in growth industries. Seventeen WorkSource Centers are now operating throughout the city in areas with significant poverty, unemployment, or lack of education. "We've been able to harness the momentum of the recovery and put people back to work. We've done a lot that's been smart in terms of leveraging the economy's comeback and making sure we bring people along," says Perry.

New industries and industry subsectors are adding muscle to L.A.'s established economy. Digital entertainment, for example, has been a boon to Hollywood, creating 8,000 jobs in 2014 and boosting employment there to its highest level in 10 years. Digital's 6.5% growth over the previous year more than tripled that of all private-sector industry in the county.

Technology is rapidly becoming an economic power player, with hundreds of tech companies, including Google, Yahoo, and BuzzFeed, setting up shop on Silicon Beach, a stretch of L.A.'s Westside near the ocean. Last October, TechCrunch ranked L.A. as the fastest-growing and third-largest tech ecosystem in the country, noting its strong base of investment capital and the fact that it graduates more engineers than any other U.S. city.

The same month, LAEDC reported that L.A. County employed more than 368,500 people in high-tech jobs in 2013—9% of its total employment and more than any other metro region in the nation, even more than Santa Clara County, home of Silicon Valley. Mayor Garcetti announced the numbers as he kicked off the city's first Innovation Week, declaring, "Los Angeles' tech industry is now as critical to our economy as our manufacturing and entertainment sectors."

The city, which is making a bet on the green economy, invested significantly in LACI when it began taking shape five years ago. Jobs created by the Cleantech Incubator are projected to total more than 1,600 by the end of next year. In 2014, says Michael Swords, vice president of partnerships, it raised $50 million for its companies—a significant amount for pre-revenue startups—and received a $750,000 U.S. Department of Energy grant. It's also fielding interest from a number of organizations and the Obama administration about duplicating its model, says Swords: "If you look at the ROI on city and federal investment in just five years, it's really incredible."

Architects were inspired by Northern Italy in designing the early buildings of the UCLA campus (above). Infrastructure firm AECOM helped design and build the Metro Gold Line Eastside Extension (below).



CHRIS CRISMAN FOR UCLA; AECOM BY DAVID LLOYD



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Tommy Tomlinson
Vice President, Global Operations, Northrop Grumman



LACI will manage one of two hubs (the other is located in San Diego) for the new Southern California Center for Alternative Fuels and Advanced Vehicle Technology, soon to be established with funds from the California Energy Commission. It's a natural step for a city that's home to 22 auto design studios.

BUILDING, LEARNING, MOVING

Even in the land of endless freeways, other modes of transportation are bustling. Two major rail lines facilitate movement to and from the airports. The 20-mile Alameda Corridor, a rail cargo expressway that links the ports of Los Angeles and Long Beach to the rail network near downtown L.A., was completed in 2013. And with the continued development of Los Angeles County M.T.A. (Metro) rail lines, Angelenos are starting to leave their cars in the garage.

President Obama's newest budget provides $330 million to fund construction of Metro line extensions and connectors. If approved, it could generate 43,000 jobs, $2.8 billion in labor income, and $7.6 billion in business revenue, says Perry—not to mention an easier commute for thousands of residents. "It would help unlock the full potential of our communities."

AECOM, an integrated infrastructure and support services firm with $19.5 billion in revenues in fiscal 2014, has played significant roles in many L.A. transportation projects, ranging from the Alameda Corridor to the ongoing LAX modernization program and building out the rapidly expanding Los Angeles Metro. "We're pretty embedded in the fabric here," says Joel Farrier, AECOM's L.A. Metropolitan Area manager. "We aspire to provide our clients with end-to-end infrastructure," from conducting preliminary studies, arranging financing, planning, and designing through construction, operation, and maintenance.

Farrier says the company is particularly proud of a current project overseeing the build-out of the Los Angeles Community College District (LACCD). "We're helping to develop a new workforce with the skills to operate in the new economy," he says. "We think it's important for the future of L.A."

Education is a point of pride for Los Angeles, which boasts three world-class research universities and well over 100 colleges and universities. The University of California, Los Angeles—UCLA—"is the most applied-to university, bringing the country's best and brightest to this urban area," says Keith Parker, assistant vice chancellor of government and community relations. "The intellectual capital here translates to innovation and growth." A 2013 study

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LOS ANGELES COMMUNITY COLLEGE DISTRICT



NORTHROP GRUMMAN

Last year Northrop Grumman celebrated the 25th anniversary of the B-2 stealth bomber's first flight with a ceremony at its Palmdale Aircraft Integration Center of Excellence.

calculated that the school generates more than $12.7 billion in economic activity for California, not to mention thousands of new jobs from tech startups.

For decades, aerospace has played a major role in fueling L.A.'s economic engine. While it has lost some thrust since its heyday, lately it's been generating positive news: Last month Virgin Galactic announced it would build its new satellite-launching rocket in Long Beach, and Southern California has been granted a federal designation that gives it first chance to receive $1.3 billion in assistance for local aerospace projects and advanced manufacturing. L.A. will also be part of an aerospace, defense, and energy innovation hub announced last month. And President Obama's proposed budget would set aside money for weapons systems and helping send another Rover to Mars.

At Northrop Grumman, which built the Opportunity Rover's navigation systems, "We are on the upswing and well positioned," says Tommy Tomlinson, vice president, global operations. "We're hiring, and we have new, strong programs." The company, founded in L.A. in 1939, is the largest aerospace organization in Southern California, employing 16,800 people in L.A. County. It produces military aircraft and aircraft integration systems, advanced microelectronics, space systems, and a wide variety of spacecraft components and is the industry's leading producer of unmanned systems. Northrop Grumman maintains a strong relationship with L.A. and its universities, often hiring budding engineers as interns before they graduate. "We have a long-haul commitment to



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> "The intellectual capital here translates to innovation and growth."
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> **Keith Parker**
> *Assistant Vice-Chancellor of Government and Community Relations, UCLA*

our community," says Tomlinson, "and to investing in technology, our employees, and our future."

A NICE PLACE TO VISIT—AND LIVE

The only space travel currently available to people who come to L.A. is on Disneyland's Space Mountain. Still, they come in droves.

L.A.'s tourism and hospitality industry continues to set records. No wonder: With 75 miles of beaches; an abundance of hiking trails and surf breaks; amusement parks; more museums and theaters than any other U.S. city; art galleries and music venues galore; championship sports teams including the Dodgers, the Kings, the Lakers, and the Clippers; and world-class shopping and a sizzling food scene ... what's not to like? Even New Yorkers Jay Z and Beyoncé are rumored to be putting down roots on the left coast.

If Mayor Garcetti gets his way, many residents' everyday lives are poised for improvement. His Great Streets initiative, a centerpiece of his Back to Basics plan, aims to revitalize many L.A. neighborhoods by adding public spaces, enhancing local culture, and increasing public safety. He's also increasing the number of express bus lanes and bike lanes throughout the city.

A welcome symbol of the City of Angels' redemption can be found in the Los Angeles River Master Plan. The cherished 20-year project is returning the L.A. River, which once attracted and sustained early residents, from its current state within a series of ugly concrete channels to a leafier incarnation. It is creating open spaces, trails, recreational areas, and other riverfront features that connect to surrounding communities.

"I think Los Angeles is experiencing a renaissance that I haven't felt since I was a kid," Mayor Garcetti said in January. "A renaissance about reclaiming this city one village at a time." ●

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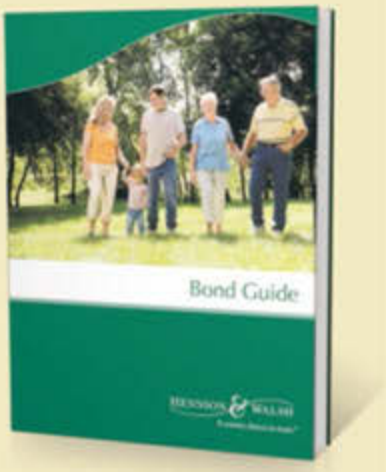
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Why municipal bonds may deserve a place in your portfolio. (Page 1)

Why insured bonds often provide an extra degree of security. (Page 2)

Why municipal bonds can potentially provide safety of principal. (Page 3)

How municipal bonds can potentially provide tax-free income. (Page 3)

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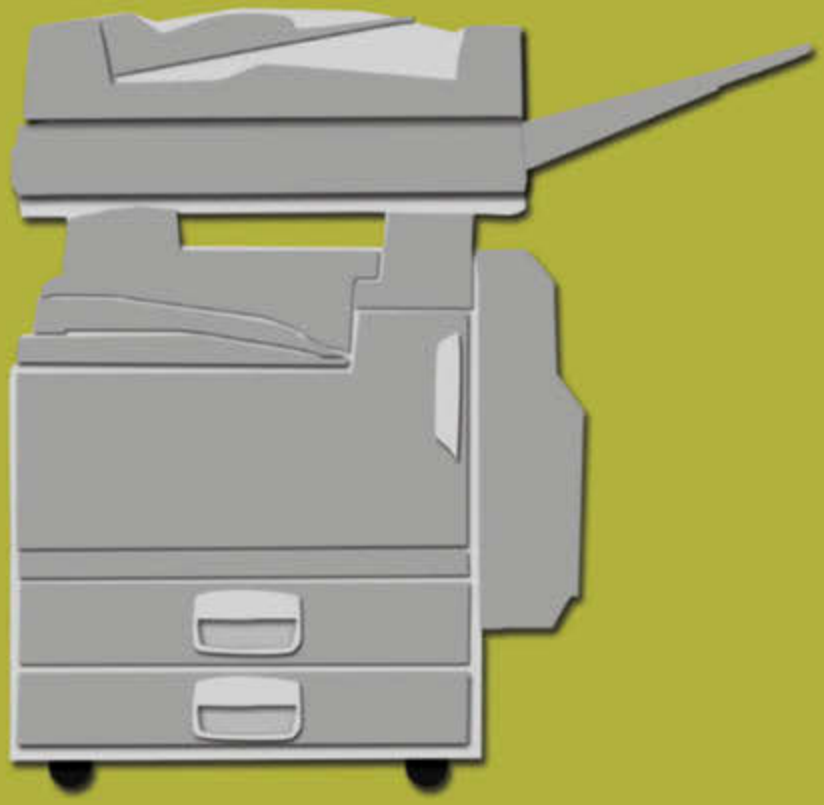
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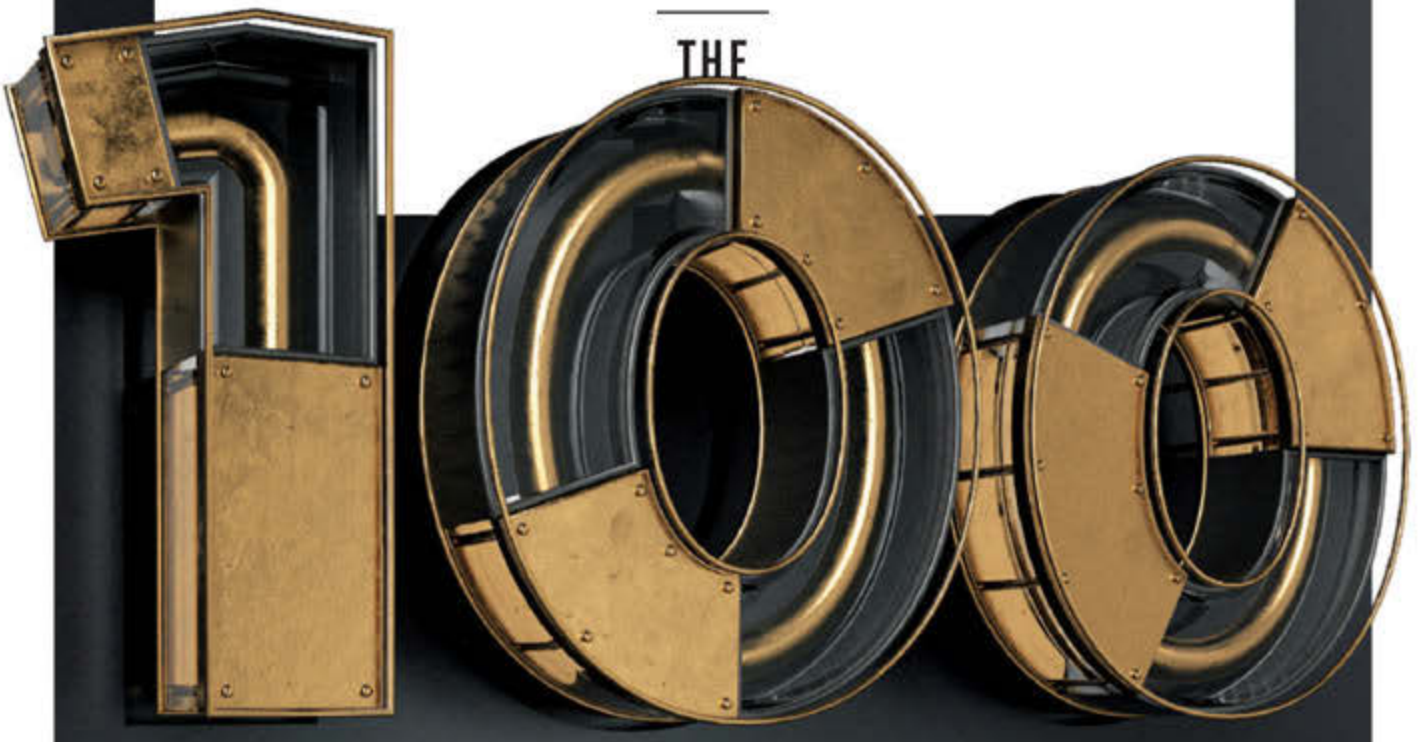
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THE 100 BEST COMPANIES TO WORK FOR



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ILLUSTRATION BY BENOIT CHALLAND

PERSONAL BESTS



THE 100 BEST COMPANIES TO WORK FOR

WHY DO SOME COMPANIES KEEP ATTRACTING AND HOLDING ON TO THE WORLD'S BEST TALENT? THE ANSWER IS SIMPLE. THEY KNOW HOW TO FOSTER STRONG, REWARDING RELATIONSHIPS ... AMONG THEIR EMPLOYEES.

By Geoff Colvin

THE ONE THING absolutely everyone knows about working at Google is that you get free, gourmet-quality food all day long. Stuffed quail, lavender pecan cornbread, *aloo gobi,* fresh fruits and vegetables, Gruyère mac and cheese—just go get it. Many know also that Google provides free gyms, free massages, and generous parental leave, plus cash bonuses when a baby is born; dogs are welcome. Beautiful offices are about to be upgraded in a spectacular planned new headquarters in Mountain View, Calif., the *New York Times* reported in late February (though details on the campus were sketchy at presstime). So when people see that Google is No. 1 on *Fortune*'s new ranking of America's Best Companies to Work For—for the sixth time—they understandably figure the reason must be those incredible employee perks. ¶ But that isn't why. Knockout perks aren't the reason any company makes this list. The essence of a great workplace is just that: an essence, an indispensable quality that determines its character.



ILLUSTRATION BY **TADO**



GOOGLE BUMP
The search giant's cafeteria is designed to encourage employees to rub elbows—to say nothing of backs and food trays—with one another.

Understanding that quality—understanding it well enough to build a corporate organization around it—has long been a goal of great companies. And it's getting rapidly more valuable too. That's because as the economy changes, employers who don't know the secret will be at a deepening disadvantage to those who do.

Which brings us back to those famous Google perks. The truth is, while the most sought-after talent doesn't generally flock to a company because of certain benefits and giveaways (nice as they may be), the perks themselves can teach us about the company's essence—why, that is, some employers are such super-powerful magnets for the world's best employees year after year. Listen to what an ex-Googler told Quora.com about Google's nonstop free buffet: It "helps me build relationships with my colleagues."

Hold on—food helps build relationships? It does when it's used right. Data-obsessed Google measures the length of the cafeteria lines to make sure people have to wait a while (optimally three to four minutes) and have time to talk. It makes people sit at long tables, where they're likelier to be next to or across from someone they don't know, and it puts those tables a little too close together so you might hit someone when you push your chair back and thus meet someone new—the Google bump, employees call it. And now we begin to see the real reason Google offers all that fantastic free fare: to make sure workers will come to the cafeterias, where they'll start and strengthen personal relationships.

That is, the food is just a tool for reaching a goal, and the goal is strong, numerous, rewarding personal relationships. Success obviously requires more than free food, but we're glimpsing the explanation of workplace greatness. That same Googler said, "The best perk of working at Google is working at Google," and the No. 1 reason he gave was the people: "We are surrounded by smart, driven people who provide the best environment for learning I've ever experienced." (For more on the company's people strategy, see "Google's 10 Things to Transform Your Team and Your Workplace" in this issue.)

Here's the simple secret of every great place to work: It's personal—not perk-onal. It's relationship-based, not transaction-based. Astoundingly, many employers still don't get that, though it was the central insight of Robert Levering and Milton Moskowitz when they assembled the first 100 Best list in the early 1980s. (For their insights into this year's ranking, see their introduction to the list.) "The key to creating a great workplace," they said, "was not a prescriptive set of employee

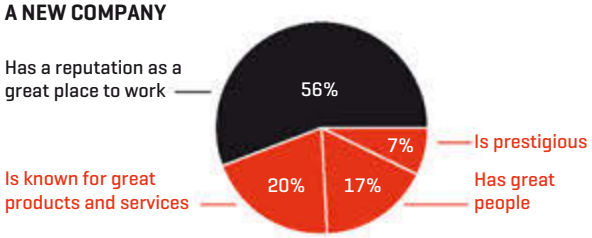
KNOWLEDGE IS BECOMING COMMODITIZED. THE MOST VALUABLE PEOPLE TODAY ARE INCREASINGLY "RELATIONSHIP WORKERS."

NEW JOBS CREATED IN THE U.S. (2001–09)



BY FAR THE MOST IMPORTANT FACTOR WHEN PROFESSIONALS CONSIDER A NEW EMPLOYER IS WHETHER IT'S A GREAT PLACE TO WORK.

MOST IMPORTANT FACTOR WHEN EVALUATING A NEW COMPANY



PHOTOGRAPH: EROS HOAGLAND—REDUX; CHART SOURCES: MCKINSEY GLOBAL INSTITUTE; LINKEDIN

benefits, programs, and practices, but the building of high-quality relationships in the workplace." Reaching far deeper into people than corporate benefits and cool offices ever can, those relationships are why some workers love their employers and hate to leave and why job applicants will crawl over broken glass to work at those places.

In the past, of course, plenty of non-great places to work have managed to succeed without mastering this understanding. And many, no doubt, will continue to thrive. But all evidence suggests that this track is about to get much harder. Big, deep structural changes in the economy are likely to boost the advantages that great employers already enjoy in the marketplace and penalize even more the companies that fall behind.

It isn't just because human capital is growing more valuable in every business. That trend has been going on for decades as ever fewer workers function as low-maintenance machines—turning a wrench in a factory, for example—and more become thinkers and creators. The remarkable thing is that while most trends eventually peter out, this one just keeps going. Intangible assets, mostly derived from human capital, have rocketed from 17% of the S&P 500's market value in 1975 to 84% in 2015, says the advisory firm Ocean Tomo. Even a manufacturer like Stryker gets 70% of its value from intangibles; it makes replacement knees, hips, and other joints loaded with intellectual capital.

Companies will continue to gain a competitive advantage by attracting and keeping the most valuable workers, which is reason enough to become a great workplace. But interestingly, there's a shift here as well—namely, in who is considered valuable. For decades—since Peter Drucker coined the term in the late 1950s—the MVPs were the so-called knowledge workers. But that term is no longer an apt description of the most prized personnel. The straightforward reason is that knowledge is becoming commoditized. Information, simple or complex, is instantly available online. Knowledge skills that must be learned—corporate finance, trigonometry, electrical engineering, coding—can be learned by anyone worldwide through online courses, many of them free. They can even be performed by a clever algorithm. Knowledge remains hugely important, but it's gradually becoming less of a competitive advantage.

As technology takes over more of the fact-based, rules-based, left-brain skills—knowledge-worker skills—employees who excel at human relationships are emerging as the new "it" men and women. More and more major employers are recognizing that they need workers who are good at team building, collaboration, and cultural sensitivity, according to global forecasting firm Oxford Economics. Other research shows that the most effective teams are not those whose members boast the highest IQs, but rather those whose members are most sensitive to the thoughts and feelings of others. MIT professor Alex "Sandy" Pentland, a renowned data scientist who directs that institution's Human Dynamics Laboratory, has aptly summed up the new reality: "It is not simply the brightest who have the best ideas; it is those who are best at harvesting them from others. It is not only the most determined who drive change; it is those who most fully engage with like-minded people. And it is not wealth or prestige that best motivates people; it is respect and help from peers."

Yup, these are the new corporate MVPs.

Many companies will struggle with finding and luring these top workers—as well as employing them in ways that get the most out of their interpersonal skills. But the best companies to work for are, mostly, already there. Creating and building relationships is the essence of what they

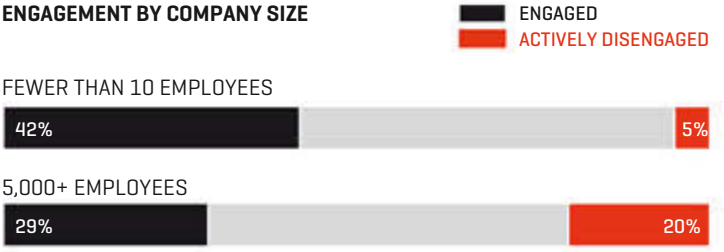
HUMAN CAPITAL RULES
Intangible assets—copyrights, brands, goodwill, patents—are largely reflections of human skill and creativity. They are by far the biggest source of business value and still increasing.



SOURCE: OCEAN TOMO

PERKS DON'T MAKE A GREAT WORKPLACE. THE REAL KEY IS INTERPERSONAL RELATIONSHIPS. EMPLOYEES ARE MORE ENGAGED WHERE RELATIONSHIPS THRIVE, IN THE SMALLEST COMPANIES.

ENGAGEMENT BY COMPANY SIZE



MILLENNIALS, WHO NOW DOMINATE THE WORKFORCE, ARE THE HARDEST GENERATION FOR EMPLOYERS TO HOLD.

ENGAGED EMPLOYEES WHO WILL SEEK WORK IN OTHER ORGANIZATIONS IF JOB MARKET IMPROVES

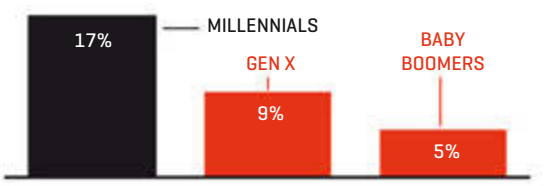


CHART SOURCE: GALLUP

do. Consider SAS, the giant software firm that's one of the few companies to appear on our 100 Best ranking every year since we started publishing it in 1998. The firm surveys employees annually on the state of their relationships: Are they getting open communication and respect from fellow employees? Are they being treated like human beings? Or look at another regular on the 100 Best, the Wegmans supermarket chain. Here's a typical employee comment: "Co-workers really care about each other on both a professional and personal level." The perks at these companies are pretty darn good. But it's the employees themselves that make them great places to work.

You've realized by now that we're talking about culture, the way people behave from moment to moment without being told. More employers are seeing the connection from culture and relationships to workplace greatness to business success. Deloitte's latest annual survey of 3,300 executives in 106 countries found that, for the first time, top managers say culture is the most important issue they face, more important than leadership, workforce capability, performance management, or anything else. "Culture" was Merriam-Webster's 2014 word of the year. It's everywhere. Yet as employers increasingly grasp its importance, they also realize they have no clue where to begin in creating the culture they need.

Let the 100 Best offer a few hints. They focus on four elements of culture that make the most difference:

MISSION. These companies are pursuing a larger purpose, and company leaders make sure no one forgets it. Whole Foods is improving customers' health and well-being; USAA is supporting members of the U.S. military and their families; REI is helping people enjoy the outdoors sustainably. When employees are all pursuing a mission they believe in, relationships get stronger.

COLLEAGUES. Several of the 100 Best also appear on lists of companies where it's hardest to get hired; 14 of them, including Twitter, St. Jude Children's Research Hospital, and the Container Store, attract more than 100 applicants for every job opening. Those companies can hire the cream of the crop, creating a self-reinforcing cycle; the best people want to go where the best people are.

TRUST. We all know this: Show people that you consider them trustworthy, and they'll generally prove you right. Many of the 100 Best let employees work whenever they want, and they work far more than if they were punching a clock. Riot Games, maker of *League of Legends,* even offers unlimited paid vacation; strong relationships prevent employees from abusing the policy.

CARING. Every company says it values employees. The 100 Best don't say it; they show it. This is where some of those celebrated perks do count. Google, for example, offers an employee benefit it has never publicized: If an employee dies, his or her spouse receives half the employee's salary for a decade. No words could send as clear a message.

> **A COMPANY'S CULTURE IS EVEN MORE IMPORTANT THAN ITS LEADERSHIP, ACCORDING TO A DELOITTE SURVEY OF 3,300 EXECUTIVES.**

A true culture of caring goes beyond perks and includes daily behavior—see Leigh Gallagher's story on Marriott in this issue.

AND YES, in case you harbored doubts, the 100 Best really do outperform other companies as investments. Analysis of the publicly traded firms in the rankings from 1984 through 2009 by Wharton's Alex Edmans found that a portfolio of 100 Best Companies exceeded its expected risk-adjusted return by 3.5% a year. That's what Wall Street calls alpha, and 3.5% annually over 25 years is a stupendous performance. The puzzle is how it's possible. Why don't investors realize that great places to work are also great investments, and bid up the stock price as soon as *Fortune*'s annual list is published, eliminating the subsequent outperformance? Edmans exhaustively investigated several hypotheses and concluded that investors just don't get it—they simply don't understand that great workplaces work better.

A corollary is that most employers don't get it either. Why do they let the 100 Best clean their clocks year after year, when the secret is no secret at all? The answer is a mystery. We know 100 companies that hope the others never figure it out. F

FEEDBACK *geoffrey_colvin@fortunemail.com*

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[1]2014 Employer Health Benefits Survey, The Henry J. Kaiser Family Foundation, September 10, 2014. [2]One Day Pay℠ is available for most properly documented, individual claims submitted online through Aflac SmartClaim® by 3 PM ET. Aflac SmartClaim® not available on the following: Short Term Disability (excluding Accident and Sickness Riders), Life, Vision, Dental, Medicare Supplement, Long Term Care/Home Health Care, Aflac Plus Rider and Group policies. Individual Company Statistic, 2015. [3]Eastbridge Consulting Group, U.S. Worksite/Voluntary Sales Report. Carrier Results for 2002-2014. Avon, CT. Coverage is underwritten by American Family Life Assurance Company of Columbus. In New York, coverage is underwritten by American Family Life Assurance Company of New York.

SHOWTIME Scenes from the opening of the Marriott Port-au-Prince in February









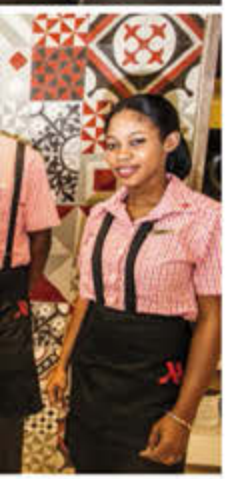












100

WHY EMPLOYEES LOVE MARRIOTT

PRE-SHIFT DANCE SESSIONS FOR HOUSEKEEPERS, OSCAR-STYLE AWARD NIGHTS, AND FREE LIFETIME TRAVEL (FOR SOME). OH, AND GREAT COLLEAGUES AND THE CHANCE TO GROW A CAREER. WHY EVERYONE WANTS TO STAY AT MARRIOTT. ***By Leigh Gallagher***

THE 4,154TH MARRIOTT HOTEL just opened in the Caribbean. On the surface it seems like a standard-issue Marriott—a modern concrete structure with a giant "M" on top, 175 rooms, ample meeting space, a nice pool outside with palm trees and orange umbrellas, all nestled in the hills with the island's mountains rising in the distance.

But this is not just any Marriott: It's the Marriott Port-au-Prince Hotel, in the hard-hit country of Haiti. And its very existence is a testimony to Marriott's unusually strong commitment to its people.

Marriott employs many Haitian Americans at its South Florida locations. Bill Marriott, the company's executive chairman and its CEO for 40 years until 2012, spends every January at the Fort Lauderdale Marriott Harbor Beach and has come to know these employees personally.

PHOTOGRAPHS BY **MARK PETERSON**

So when the earthquake that devastated the country hit in 2010, he wanted to do something to help. The company and Marriott personally provided disaster relief, but Kathleen Matthews, the company's EVP and chief global communications and public affairs officer, pitched a bigger idea: Why not build a hotel in Haiti instead, which would continue to give back in the form of jobs, economic activity, and opportunity for local suppliers? "It's not a conventional hotel market, but it's a testament to our Marriott culture of opportunity that [Marriott] said, 'Why not?'" says Matthews.

The result was a unique partnership with Digicel Group and the Clinton Foundation. So while at first glance the hotel is pure Marriott, inside are local touches like papier-mâché skulls hanging on the wall behind the check-in desk, and traditional Haitian tin art. Coffee is sourced from a local grower; produce comes from a farmer's co-op in the nearby mountains; the fair-trade soaps in the rooms are supplied by a small business that employs Haitian women. On hand last month for the hotel's soft opening were Bill Clinton, Sean Penn, Haiti president Michel Martelly, Digicel Group chairman Denis O'Brien, and other dignitaries—as well as many of the hotel's 130 full-time staffers, who were beaming.

Marriott isn't Google. Jobs in the hospitality industry, in Haiti or anywhere, are about as far from Silicon Valley chic as you can get. The company's employees—more than 200,000 of them, and 361,000 if you include the franchised properties—are scattered around the globe, not concentrated on a cool campus. Rather than writing code, most of them spend their time catering to, and cleaning up after, guests. About 85% earn hourly wages; the largest category is housekeeper.

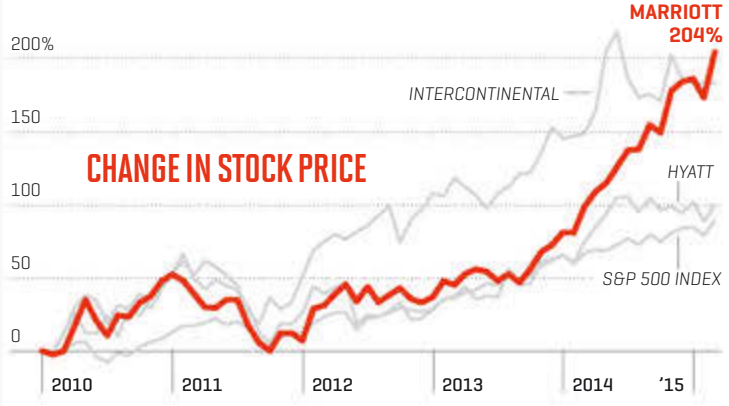
But talk to Marriott employees—or associates, as they're called—and you'll hear the word "family" with unusual frequency. They rave about their workplace and their colleagues. And they stick around. The average tenure for a hotel general manager at Marriott is 25 years; industrywide it's much lower. Some 10,600 people have been there more than 20 years. The company has been on our Best Companies to Work For list all 18 years of the list's existence, something only 11 other companies can say (for a list of those all-stars, see page 134).



CHIEF ASSOCIATE Marriott International CEO Arne Sorenson in the company's Innovation Lab.

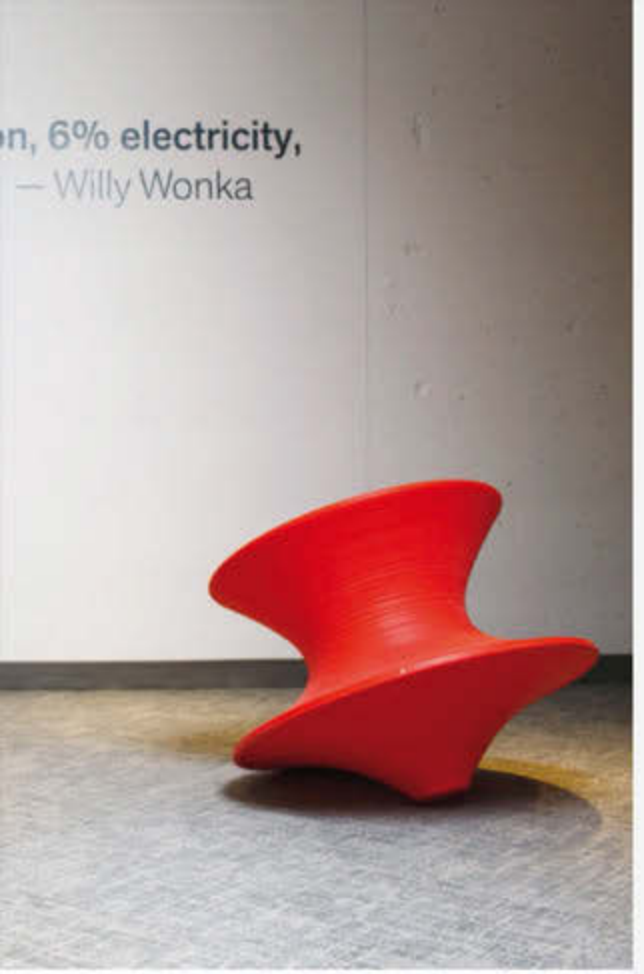
Indeed, the next time you find yourself in a Marriott hotel, stop a housekeeper and ask what the guiding principle of the company is, and chances are she'll say some version of "Take care of the associates, the associates will take care of the guests, and the guests will come back again and again." That's J.W. Marriott's founding philosophy, and while not necessarily a wholly original concept today, it runs through the DNA of the company.

Arne Sorenson, the CEO of Marriott International, wasn't in Haiti for the celebration that day.



AS OF FEB. 23, 2015. GRAPHIC SOURCES: S&P CAPITAL IQ; BLOOMBERG

PHOTOGRAPH BY **MELISSA GOLDEN**



He was waiting in an airport lounge in Manassas, Va., stuck after a mechanical problem required his plane to return to the airport after takeoff (this writer was with him). Most CEOs might have been visibly angry or upset; our schedule had no room for error, and Clinton et al. were expecting him. But Sorenson calmly kept one eye on the ticking clock and, finally, when the crew delivered the news that an alternate plane wouldn't be available in time to make the ceremony, he made an executive decision: We wouldn't go.

The first CEO to helm the company outside the Marriott family, Sorenson, 56, assumed the role three years ago. He joined Marriott in 1996 from the law firm Latham & Watkins, where he was a partner. Marriott was his client, but it wasn't until he joined that he realized the company had a unique culture—all the more so considering how diverse and decentralized it was. "Google is probably a great employer, but so much of why people love working there is they're 'winning,'" says Sorenson. "They do well, they make a lot of money, but they're also winning and conquering all these problems," he says. "I hope we're 'winning' too, but that doesn't necessarily animate what happens with a housekeeper at a hotel."

MARRIOTT'S HISTORY is one of the legendary success stories of American business. In 1927, having passed through Washington, D.C., on his Mormon mission years before and been struck by the city's muggy summers, a 27-year-old John Willard Marriott—with his wife, Alice—opened the first A&W franchise there, a nine-stool root beer stand on 14th Street. They soon added another location, Alice running the books and collecting the "sticky nickels"; after she grew worried that customers wouldn't want cold root beer in the winter, they got permission from A&W to serve hot food and renamed their concept Hot Shoppes. In 1957, J.W. expanded into lodging, opening the Twin Bridges Marriott Motor Hotel.

The company would expand over the years to include Roy Rogers, Bob's Big Boy, cruise lines, theme parks, and more. In 1972, J.W.'s son, J.W. Marriott Jr., known as Bill, took over as CEO, selling off some of the ancillary businesses and overseeing the company's modern-day hotel expansion. Bill also made the key decision in 1992 to split the company in two, separating the hotel management operations from the ownership and real estate operations. Today Marriott owns only a few hotels; instead, almost all hotels are owned by real estate partners, and Marriott manages or franchises them (about 70% are franchised worldwide.

From the start, J.W. and Alice made an enormous, almost obsessive effort to take care of their employees (prompted in part by a lesson learned early on, when one of their three employees didn't show up and they had to pull



EARLY DAYS J.W. Marriott in front of the first Hot Shoppe

COURTESY OF MARRIOTT



OPEN OFFICE Jason LeRoy, IT business analyst, works at "The Hub," the cafe and open workspace at headquarters in Bethesda, Md.

root beer and wash mugs all day). J.W. put a doctor on the payroll in the '30s, then added a surgeon. He took kids in off the street and taught them to cook. He promoted from within, turning hourly workers into managers.

Multiply the attention those first three employees got from J.W. by about 100,000 and you get the modern-day Marriott workplace. What's so great about it? The benefits and perks befit a stalwart of our list. At headquarters there's a gym, dry cleaner, gift store, day care, preferred parking for hybrids, and an array of wellness initiatives. There's flexible scheduling, an employee assistance line, and another one just for lower-wage workers, available in English and Spanish. Hourly workers get health care benefits if they work 30 hours a week. Then there are the travel deals: Every employee gets steep discounts on room rates for themselves and for family and friends (rates vary but can go as low as $17 a night). Employees with 25 years or more are eligible for the Quarter Century Club and can get free weekend hotel stays for life.

At the hotels, every shift starts with a 15-minute "stand-up" meeting, a chance to check in, share updates, and get pumped for the work ahead. The meetings vary from hotel to hotel but are known to include stretching, music, and dancing (at the Newport Beach Marriott Hotel & Spa, salsa and disco are de rigueur).

One of the biggest events of the year is the companywide Awards of Excellence, an Oscar-style ceremony that recognizes employees from across the globe in four categories. Winners are chosen from a list of nominees by Bill Marriott and flown in for the event, attended by some 800 employees and the entire executive team. (Sorenson says it wasn't until he attended his first ceremony "that I really understood that there was a depth to this culture that actually starts at the hotels.")

Many associates will say the best perk is the opportunity to grow a career. Stories of top executives who started out pushing a housekeeping cart or on the bellstand are commonplace. Bob McCarthy, the company's recently retired chief operating officer, started as a waiter. Ed Fuller, who ran international operations, started as a security guard. Bridget Bilinski, area vice president in the Western region, was a front desk manager trainee. Erika Alexander, vice president of the country's Eastern region, started in entry-level sales.

"The biggest perk is the opportunity," says Daniel Nadeau, general manager of the 1,175-room Marriott Marquis Washington, D.C., who started busing tables at the Newton, Mass., Marriott in high school, then worked his way up through sales, marketing, and operations before becoming a general manager. A culture of mentorship, he says, is what pulled him along. "People have helped me," he says. "You have to have the environment that fosters that."

Stephanie Linnartz, chief marketing and commercial officer and one of the highest-ranking women at the company, started in finance 17 years ago and says she's benefited from both mentorship and this sense of opportunity. "I've been given a ton of opportunity to do different things," she says."There's the idea that anyone can make it to the top here if you work really hard."

TWO TOOLS help enable the Marriott culture. One follows the mandate to "hire friendly, train technical." Wherever possible, the company assesses applicants for friendliness first. For hourly positions, the company developed an elaborate image-based screening for interpersonal skills, dependability, and disposition. "It tests personality," says David Rodriguez, EVP and chief human resource officer. The tests "are not foolproof," he says, and a manager still makes final hiring decisions—but scores correlate strongly with

MELISSA GOLDEN (2)



performance. "We tell general managers, 'If you hire more of the top-scoring people, you will see less turnover.'"

The second is an on-the-ground network of business councils—76 local and regional teams of general managers worldwide who meet regularly to compare notes and serve as a conduit to Bethesda, where they report to Debbie Marriott Harrison, global officer for culture and business councils (and Bill Marriott's daughter). The councils "are one of the best tools I have," she says.

Harrison previously ran government relations and stepped into this role a year ago—it was previously held by her late brother Stephen, who died in 2013—but she knows the culture like the back of her hand: The company's first hotel opened three months before she was born; growing up, Sundays were spent visiting the Hot Shoppes kitchens. She'd occasionally accompany her father to headquarters just before Christmas, where they'd stand at the front of the building and shake the hands of all employees. "That really left an impression on me," she says.

The presence of the family, and in particular Bill Marriott, still governs the company. Multiple people describe Mr. Marriott—no one calls him Bill—as a "rock star" and talk about wanting to do him proud. Robert Levering, co-founder of Great Place to Work, recalls visiting an all-employee event years ago. "It was just palpable how much that guy was loved," he says. "It's really very unusual."

During the post-9/11 recession, when many employees saw their hours cut and risked losing their health insurance, Bill Marriott waived the 30-hour-per-week requirement. "When you're in a tough situation like that, if you put your people first, they'll never forget it," he says.

Fostering that kind of workplace isn't entirely altruistic; in Marriott's case it's essential to the business's success. "Think about the advantage of a place where talent wants to stay 25 years," says Rodriguez. Bill Marriott says a happy workforce is a cost-saving strategy: "Your turnover's lower," he says. "You don't have as many people you have to train every year, break in every year, you don't have as many mistakes. A seasoned workforce does a better job—and they cost you less money."

For his part, Sorenson sees the culture as important in its own right but critical to the company's overall strategy. "It's not an end in itself," he says. "It drives loyalty of our folks, which drives better service, which drives customer preference, which drives higher retention, which reduces costs. There are all sorts of benefits to that."

Internal Marriott data show that properties that score higher in engagement tend to have better financial results. In hotels where employee engagement is higher, surveys show that customers who experienced a problem with their stay were much more satisfied with the resolution.

> "A SEASONED WORKFORCE DOES A BETTER JOB—AND THEY COST YOU LESS MONEY."
> —BILL MARRIOTT

LED BY SORENSON, Marriott is in the midst of its biggest transformation since the spinoff of its real estate business. Last year's deals for 100,000 new rooms at 650 hotels was a record for Marriott and the industry. Much of the growth is global: Marriott operates in 79 countries and is likely to surpass 100 in the next few years.

And it's reinventing itself from the inside out to become more relevant to the next generation of travelers. "They're it," says Sorenson.

The company has added three new brands: Moxy Hotels, for young budget-conscious travelers; AC Hotels by Marriott, a sophisticated city-based chain launched with Spain's AC Hotels; and one of the biggest bets in recent years, the creation of the Edition brand in partnership with Ian Schrager. The first Edition

opened in London in September 2013, followed by one in Miami last fall; a third is expected to open in New York this spring.

The company has also retooled its product to meet the very different demands of this generation, starting with the room itself: Millennials don't use drawers very often; they like their closets without doors; and they hardly ever use the desk and chair—they prefer to work on their laptop from the bed while watching TV. So new rooms at these properties have fewer drawers, big comfortable beds, and bigger TVs. They're also smaller—at Moxy, 180 square feet—but the public spaces are bigger and more social, with lots of places to lounge and drink specialty cocktails. Room service is seen as stodgy and formal, so the company is rolling out a program called Dining Your Way, where guests can order online or at the hotel bar, and takeout is delivered to their room.

Many of these insights came from an internal focus group called nextM, a collection of some 200 or so millennial-minded associates who serve as an in-house laboratory. They consulted on room redesign, named the happy hour at the Residence Inn "The Mix," and recommended that the company tweak its rewards program to deliver more immediate gratification. ("We don't want to stay 20 times before we get something," says Nicole Taylor, a senior manager of digital marketing for the lifestyle brands and one of the group's leaders.)



NEW EDITION Outdoors at the Edition Miami Beach, the first U.S. location of a high-profile partnership with hotelier Ian Schrager

Sorenson's transformation seems to be working. Last month the company reported record 2014 revenue of $13.8 billion; net income was up 20% to $753 million, also a record. Analysts expect double-digit growth for both this year. At presstime the stock price had just hit a record high of $85.

Sorenson says part of this is the economic recovery. "I think it would be unfair to claim that every bit of that credit should be attributed to our work," he says. And he deflects it from himself: "It's not like I'm doing any of this alone," he says. "The team is great, and Mr. Marriott's been a great partner."

Of Sorenson, Marriott says he knew he was the right choice. "I felt very comfortable with him," he says. "He's a hard worker. He's extremely bright. But the thing that I almost like the best about him is that he leaves his ego at the door."

That appears to be an understatement. Marriott was, and still is, Mr. Marriott; Arne goes by Arne to all. He's a father of four who drives a Ford Escape. (Leaving the airport after our aborted trip to Haiti, he hauled my bags into the back of his SUV like a dad on a family vacation.) During a visit to *Fortune*'s offices, Sorenson turned up solo, without handlers. He has no interest in attaining the level of fame that Bill Marriott has. "I don't have his celebrity, and I don't want it," he says.

MANY AT MARRIOTT will tell you that the global growth poses the biggest threat to the culture in its history. Sorenson disagrees. "I think [preserving the culture] is something that's important for us to do, but I think we are doing it, and I think we will continue to do it." (Besides, he points out, it's been a very long time since Marriott has been anything resembling "small.")

What else keeps him up at night? "We are in a very competitive industry," he says. "We need to win over our real estate partners, who are also our customers—and that is about driving better results than our competitors do."

Working in his favor is a robust outlook for the travel industry. Sorenson likes to cite World Tourism Organization statistics: In 2014, there were 1.1 billion international arrivals worldwide, a figure some say could hit 2 billion in the next decade. "That's a lot of bodies moving around," he says. Bodies that need beds—and friendly, happy Marriott International employees to welcome them. F

COURTESY OF EDITION HOTELS


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WELCOME TO THE TWITTERLOIN

THE SOCIAL MEDIA TOOL HAS BROUGHT SILICON VALLEY COOL (AND ITS PERKS) TO A GRITTY SAN FRANCISCO NEIGHBORHOOD.

By Michal Lev-Ram



DICK COSTOLO IS BREAKING A SWEAT. The chief executive officer of Twitter has plenty to fret over: Earlier in the day hackers had hijacked his chief financial officer's tweets, sending out hundreds of spam links to followers and bringing to the surface, yet again, fears over compromised accounts. The week before, even as the social media company announced quarterly revenue and earnings that beat expectations, its disappointing user growth came under scrutiny (the company has just a quarter of the user base amassed by social-networking behemoth Facebook). What's more, the recent departure of several top executives has refueled concerns over management's ability to clearly define its strategy, not to mention hold on to key employees. ¶ At the moment, though, none of those stresses are the cause of Costolo's perspiration. The culprit? A grueling fitness craze called CrossFit, which combines Olympic-size body weights and intense cardio moves in a single workout. In a red T-shirt and black shorts, the bespectacled actor turned Google exec turned CEO crouches down to touch his toes, then hurls his wiry frame back and forth across the 45-pound barbells on the floor in front of him. Finally, he picks up the massive weights and lifts them over his head with a huff.

WELCOME TO TWITTER—or more accurately, the San Francisco–based company's second-floor gym. The nine-year-old microblogging service, which makes its debut on *Fortune*'s Best Companies to Work For list at No. 24 this year, has had its fair share of ups and downs. Case in point: After going public in late 2013, its stock rose 282% but is now trading just slightly above its initial offering price. Despite the fluctuations—not to mention management's decision to put down roots in one of the Bay Area's grittiest neighborhoods (more on that later)—Twitter has become a sought-after place to work in the region.

NO. 24

TWITTER

> SAN FRANCISCO
> EMPLOYEES: 3,600*

An average of 230 applicants vie for every open position, angling for a way to become part of a company many believe will continue to change the way we disseminate and consume information. Onsite perks such as free yoga and improv classes and all the food you can eat help attract talent, but those are staples in many tech companies. Even more attractive, say many employees, is the desire to "make a difference," both in the world at large and in Twitter's own backyard. The fact that it's the kind of place where, despite its ballooning workforce, you can still sweat alongside your CEO is an added bonus.

"When you work at Twitter, you get an opportunity to work at a company and on a platform that is visibly changing the world every day," Costolo says during a phone interview a week after the CrossFit class (and, incidentally, a few days after he fractured his collarbone on a ski trip).

Before joining Twitter in late 2009, the athletic CEO spent a couple of years as an exec at Google. Its influence on Twitter's informal culture is apparent. Twice a month Costolo assembles the entire employee base in a light-filled open area near the company's massive cafeteria. (Twitter occupies seven of the 11 floors in the building; the crown jewel is a 16,500-square-foot rooftop deck, where workers lounge on outdoor couches and synthetic grass.) Costolo and the rest of Twitter's 10-person management team use the twice-monthly "tea times" to update employees on company milestones and goals, answer impromptu questions from the crowd, and highlight popular tweets and world events captured on the service. The same all-hands approach is taken every time the company releases quarterly earnings—employees are called into the common area, the numbers are explained, and questions are answered.

"I've always felt it was important for me to be present, for anyone in the company to feel like they could walk up to me and have a forthright conversation with me," says Costolo. "As you grow as a company, the view from the top becomes more and more distorted. So I really go out of my way to be present and show the employee base that I think of them as peers and colleagues, and I encourage them to challenge my thinking and engage in sharp questions with me."

Costolo even makes an appearance on the first day of each weeklong orientation for new hires, internally known as "Flight School." During the course of the orientation session, recent hires are taught tweeting guidelines—confidential information that is shared during the company's all-hands

COURTESY OF TWITTER

*GLOBAL HEADCOUNT

meetings, for example, must not be repeated. They're also given a tour of Twitter's headquarters, including the Lodge, a communal area where two real log cabins—sourced from Craigslist—are used for meetings and social events (wine, beer, and kombucha are all on tap). The large television screens, roomy leather booths, and high-rise tables and chairs in the Lodge give the space a comfy, lounge-like feel. Elsewhere in the office employees sit in open-floor formation and are free to move about from place to place, toting laptops stickered with Twitter's signature blue bird.

"It's not working in a garage, but it's also not a place where the future of the company is set in stone," says Alex Roetter, a VP of engineering.

Indeed, Twitter's fate is still up in the air. Even as the company's revenue and earnings continue to rise, Wall Street has worried about its slowing user growth. Some investors have even called on Costolo to step down. (The CEO says he loves his job and told *Fortune* he doesn't know where recent rumors of a possible departure came from.) The situation in Twitter's own neighborhood has also been precarious at times.

EVERY DAY about 2,000 workers flock to Twitter's offices on the outskirts of downtown San Francisco. (Another 1,600 employees work in other hubs around the world.) The so-called Twitterloin—located at the edge of the city's Tenderloin neighborhood—is home to decrepit hotels, strip clubs, and many of the city's homeless. It also has a high crime rate. Earlier this year a suitcase full of dismembered body parts was found nearby.

To be sure, Twitter isn't the only tech company to have set up shop in the area: The city of San Francisco has offered extensive breaks on payroll taxes for companies that move into the long-neglected neighborhood, and the list includes other hot tech startups like Square, Uber, and One Kings Lane. But Twitter was among the first to do so (the tax incentive is colloquially referred to as the "Twitter tax break") and remains the largest tech employer in the neighborhood. The company's execs say that they are not only committed to staying in the area but also encouraging their employees to help the local population—and claim the desire to do so is actually enticing workers.

"If you want to attract the best talent, this is key," Caroline Barlerin, head of community outreach and philanthropy at Twitter, says of the company's efforts to do good in the neighborhood.

Last year Twitter shelled out more than $367,000 to local nonprofits. Employees regularly volunteer at the nearby Boys & Girls Club, churches, and public schools, mentoring children and serving meals. The company has donated laptops and other equipment to neighborhood centers and provided its office space for nonprofits to host events and fundraisers. The company's biggest push to aid the nearby community is the soon-to-be-opened Twitter NeighborNest, a learning center it is building just across the street from its office. The space will be fully staffed by Twitter volunteers and will offer free computer classes (with child care) to anyone in the area.

"I wanted the employees here to feel that we are putting down roots in the community," says Costolo. "In order to do that they have to be a part of that community."

While Twitter is still far from making a profound impact on the Tenderloin (some argue that its presence will have a detrimental effect on the area's residents because of the inevitability of gentrification), its dicey location doesn't seem to be scaring off employees. Neither does its uncertain ability to keep growing its user base at a fast enough rate. And young engineers aren't the only ones drawn to Twitter's Art Deco headquarters. Its offices have been visited by a steady stream of celebrities and world leaders, including Seth Rogen, Lena Dunham, and Hillary Clinton.

That kind of exposure is one of the things that has made Twitter a special place to work—even in a region flush with onsite massages, free snacks, and CrossFit sessions with CEOs.

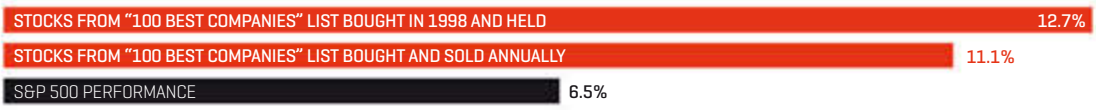
SECRETS FROM A RECRUITER

"Be aggressive but be professional. Make a call or send an email directly to recruiters stating your interest, and, more important, why they should consider you. You are more likely to get a response when the email is personal."

—SEAMUS MULLARKEY, RECRUITING MANAGER, KPMG [NO. 63]

GREAT CULTURE IS GREAT FOR BUSINESS

The publicly traded 100 Best Companies outperformed the S&P 500 nearly 2 to 1.



GRAPHIC SOURCES: GREAT PLACE TO WORK INSTITUTE; RUSSELL INVESTMENT GROUP



THRILL RIDES
A "bucket list" party at Acuity included ziplines and a mechanical bull.

COURTESY OF ACUITY

Dream Job… Insurance Salesman?

HOW A SMALL COMPANY IN WISCONSIN FOCUSED ON EMPLOYEES—AND BECAME THE THIRD-BEST WORKPLACE IN AMERICA.

By Claire Zillman

NO. 3

ACUITY

> SHEBOYGAN, WIS.
> EMPLOYEES: 1,039

ACUITY'S HOME OFFICE in Sheboygan, Wis., already includes what the property and casualty insurance company says is the tallest flagpole in the U.S., at 400 feet. And when a 240,000-square-foot expansion of headquarters is completed in 2016, employees will get to ride on a 65-foot Ferris wheel—indoors.

Yes, these outsize landmarks are eye-catching. But CEO Ben Salzmann says they are gifts to the community. Founded in 1925 by farmers in rural Wisconsin looking to insure against the hazards of horseless carriages, Acuity, with $1.1 billion in annual revenue, makes an impressive debut at No. 3 on this year's list, alongside global companies such as Google and Boston Consulting Group.

How does it compete? On top of perks like unlimited education reimbursement, compressed workweeks, a 10% company contribution to employees' 401(k) funds, and healthy medical plans, Salzmann says Acuity has instilled employee loyalty by empowering them and giving them a say in the insurer's future. Quarterly town hall meetings keep employees up to speed on the company's performance. It also sponsors a "lunch with an officer" program, in which every employee gets a face-to-face meeting with executives. The company lets employees decide which organizations receive annual charity donations—it gave away just over $1 million last year—and invites them to take part in strategic planning. For all those reasons, workers have raved.

Yet the best example of employee enthusiasm can be found on YouTube in a short video bearing the title "Acuity Zombie Apocalypse." It's the collaborative work of 40 employees who dressed as the undead for a five-minute explainer about why they love their jobs. The video's tag line? "Acuity is a great place to work now… and after the zombie apocalypse!" It took one day to film and two weeks to produce, all during working hours.

In addition to welcoming oddball initiatives, employees say that company leaders take their suggestions seriously and that contributions are rewarded individually. Stephanie Schreiber, a general manager of commercial lines underwriting, says she recently noticed that her department was getting rather big—Acuity had hired 124 employees in the past year. "It was harder for us to get to know everyone," Schreiber says, so she suggested a cookout. Her manager obliged. "That's something very simple," she says, at a place where more than 1,000 co-workers know one another's first names.

COOLEST OFFICES

WORKPLACE ENVY: A PEEK INSIDE SOME OF THE MOST CREATIVE AND INSPIRING OFFICES OF THE 100 BEST COMPANIES.





AUTODESK [NO. 52]
Above: Treadmills with desktops keep workers moving while on the job.

ACTIVISION BLIZZARD [NO. 96]
Right: Videogame developers have no shortage of distractions—or decor.



FOR THE TOP 25 COOLEST OFFICES OF THE 100 BEST COMPANIES, GO TO FORTUNE.COM/BESTCOMPANIES.

QUICKEN LOANS (NO. 12)
Left: The mortgage lender's renovated offices have a panoramic view of Art Deco skyscrapers in downtown Detroit—and a basketball court.

CAPITAL ONE (NO. 91)
Below left: Open conference and meeting rooms promote transparency at the financial services company.

INTUIT (NO. 31)
Below right: Employees at the software developer are used to informal group meetings.







ALL PHOTOS COURTESY OF COMPANIES



Padmasree Warrior
Chief technology officer

Blair Christie
Chief marketing officer

Francine Katsoudas
Chief human resources officer

Solving Tech's Diversity Problem—Starting at the Top

AT **CISCO**, WHERE ONLY 23% OF THE STAFF ARE WOMEN, MANAGEMENT ADDRESSES THE TALENT DRAIN FROM THE TOP DOWN. ***By Caroline Fairchild***

PADMASREE WARRIOR loves high heels. Yet as an engineer just starting out in her career, she ditched the heels for more modest shoes. The technologist thought that if she looked more like her male peers, she would fit in and not feel so alone.

"I would dress down and try to fit this grunge model," says Warrior, who is now the chief technology and strategy officer at Cisco. "But as I gained more confidence, I said, 'To heck with it. I am going to be who I am and dress how I want to dress.'"

The alienation that Warrior felt early in her career highlights a problem that Cisco—along with the rest of the tech industry—is struggling to address. Women represent a small portion of Cisco's new hires annually, and the few who get in the door aren't sticking around for long or getting promoted at the same rate as their male peers. The issue appears to be largely cultural, with many women opting out of the industry to pursue careers where they don't have the issues that Warrior once faced. The result is a talent drain that tech companies openly admit hurts their ability to stay competitive in the long term.

Cisco hasn't figured out—and doesn't profess to be close to—a solution. Though it has stronger ethnic diversity (36% Asian vs. 54% Caucasian), a full 77% of its employee base is male. "We're not anywhere near where I want to be," Cisco chairman and CEO John Chambers tells *Fortune*.

Yet unlike some of its peers, Cisco (No. 70 on *Fortune*'s Best Companies to Work For list) has made considerable gains at the top: In 2004 one out of nine members of Chambers' operating committee was a woman. Today that number has grown to five out of 13, and three of 10 board directors are women as well. Executive logic is that if the company starts with the C-suite, women lower down in the hierarchy will look up and see opportunities to grow. In interviews with *Fortune*, Warrior, along with her four female colleagues on the executive team, opened up about the challenges to filling their ranks with more female talent, while sharing potential solutions for the future.

"The message has to start at the top," says Warrior, "but you have to create role models at all levels. The common excuse I get is that no women applied for the job. I tell them to change that. Go find women."

NO. **70**

CISCO SYSTEMS

> SAN JOSE
> EMPLOYEES: 36,463

COURTESY OF CISCO



Rebecca Jacoby
Chief information officer

Kelly Kramer
Chief financial officer

• WORKING BACKWARD

The 30-year-old tech giant's first challenge is to get young women entering the workforce interested in Cisco. "There is no question that this is the heart of the issue," says chief human resources officer Francine Katsoudas. Since stepping into the top HR role in June of last year, she has aggressively pushed the importance of diverse interview panels and seeking diversity in job candidates. The latter can be difficult, especially given how competitive the fast-moving hiring process can be in Silicon Valley, but Katsoudas has communicated that no position should be filled until the "widest net possible" is cast. "It's definitely a change in mindset," she adds.

Cisco has even expanded its recruiting efforts to preteens to get more young women interested in the tech industry at an earlier age, says Cisco's chief marketing officer Blair Christie. "We are continuing to try to work backward, and that has put us down in the middle-school level, where we are doing a lot of work." The company is a founding member of US2020, a platform that helps connect STEM professionals with girls and underrepresented minorities from kindergarten through college age. Cisco has pledged that by 2020, 20% of its U.S. staff will volunteer at least 20 hours each year to inspire students in STEM education.

• DIFFERENT NEEDS

Christie has been with the firm since 1999 and says that Cisco "without a doubt" has an inclusive culture. "I never realized I was a female until a couple years ago. I worked hard, I drove results, and I was rewarded," she adds. Yet she acknowledges that Cisco needs to ensure that all women feel as supported as she did. A young talent in marketing has different needs from someone working in finance, and Cisco has launched programs to support women across functions. Spearheading efforts in the organization is Shari Slate, Cisco's newly appointed vice president of inclusion and collaboration. A several-month-long program called JUMP is available throughout the company for higher-level female employees. It's also piloting a 12-month sponsorship program to make sure women at lower levels interact meaningfully with senior talent.

Sixteen years ago, there were no female VPs in finance at Cisco, says Christie. Now CFO Kelly Kramer is aiming to increase female headcount among management. Citing the percentage of women in finance overall, Kramer says that she could "lull herself into complacency" because nearly half the talent on her team is female. Yet that diversity isn't mirrored in all of Cisco's divisions. Kramer says she is convinced that programs like JUMP will help put more women in leadership roles.

• HEELS AND ALL

The company is tracking the effectiveness of its programs by conducting employee surveys: In 2014, 89% of staff said they feel they "can bring (their) authentic self to work"—heels and all. Cisco also sees ample opportunity to collaborate with competitors to come up with solutions, but declined to elaborate on any current projects. For Chambers, if the tech industry wants to see a significant shift in diversity numbers, it will need to make a few "bold moves." As long as tech companies continue to operate separately on the issue, the needle will never jump dramatically, he says. "Any CEO will tell you that if you have 30 to 40 priorities, you don't really have priorities," he says. Already Chambers is encouraged by the results of executives like Warrior, Katsoudas, Christie, Kramer, and CIO Rebecca Jacoby, who sponsor women lower down the chain. Each of the functions led by a woman has more diversity in its group than other groups do. Yet the company is by no means close to declaring victory or even announcing a winning strategy. "We might need to run some different plays," Chambers admits.

SECRETS FROM A RECRUITER

"We look for candidates who are driven by the need to serve others, are passionate about working together as a team, and are capable of great attention to detail. Find a way to show expertise in these three areas when interviewing."

MARCY HAMRICK, MANAGER OF TALENT ACQUISITION, PUBLIX SUPER MARKETS **[NO. 81]**

THE FUTURE OF WORK
OFFICE SPACE 2.0

COMMERCIAL REAL ESTATE STARTUP **WEWORK** BRINGS THE SHARING ECONOMY INTO YOUR WORKSPACE.

By Jen Wieczner

USING AN OFFICE at WeWork feels a lot like checking in at a swank hotel. Indie music plays softly in the reception area. Young professionals with laptops sprawl across couches, beanbag chairs, and even pillow-covered stacks of wooden pallets, sipping artisanal coffee or lemon water. Depending on the day, help yourself to a waffle brunch or sign up for a massage in a conference room.

Despite the relaxing vibe, WeWork's chain of co-working spaces—where employees from different firms rent desks and small offices but share Wi-Fi, copy machines, water coolers, and the like—are all about doing business. Founded by two guys who never had traditional office jobs of their own, WeWork was imagined as a sort of entrepreneurial, anti-establishment utopia: delivering Googleplex-type perks (from videogames to health insurance discounts) to small startups that couldn't otherwise afford them. "The line that we see between work and play is really blurring, and we try to make this the best work environment possible," says WeWork co-founder and CEO Adam Neumann. The WeWork model has proved incredibly attractive to today's increasingly independent workforce. Started in 2010, WeWork has grown into a $5 billion business with 27 locations across the U.S. and abroad. It plans to double that number by the end of this year.

And lately *Fortune* 500 companies have also come knocking: Merck, American Express, and Microsoft now lease desks at WeWork. Yet WeWork turns many big firms away; it limits them to just 20% of overall membership. "If we had opened our doors, this place would become corporate America," Neumann says. "We're able to give them a corporate culture and feeling that are a little more relevant." Merck employees, for example, alternate between company headquarters and four WeWork outposts in New York City to gain exposure to the "innovation ecosystem."

WeWork is the first U.S. company to scale the co-working concept and to galvanize its own brand of workspace, which is as much about the social scene as it is about the space itself. There are onsite happy hours and events several times a week, publicized by WeWork's members-only mobile app, and floors are laid out so that workers are likely to bump into one another on their way to the fridge or a meeting.

While companies of all sizes are shifting to open-office layouts to cut costs, WeWork's memberships, averaging $400 to $650 a person per month, can be more expensive than leasing a comparable amount of commercial space elsewhere. WeWork says it makes up for that by covering expenses like furniture and cleaning—not to mention the beer kegs on every floor—as well as by fostering business relationships and partnerships between members. "For us, it's not about reducing footprint," says Mark Gallagher, senior market manager for Silicon Valley Bank, which recently took up residence in WeWork's Boston and San Francisco locations to better mingle with its entrepreneur clients. "It's about a different work style."

SECRETS FROM A RECRUITER

"Hyatt knows that one size does not fit all. We look for candidates who are willing to show their personal brand or be at their best. This includes thinking differently and bringing an innovative spirit to the workplace."

—KRISTY SEIDEL, DIRECTOR OF TALENT ACQUISITION, HYATT HOTELS **[NO. 78]**

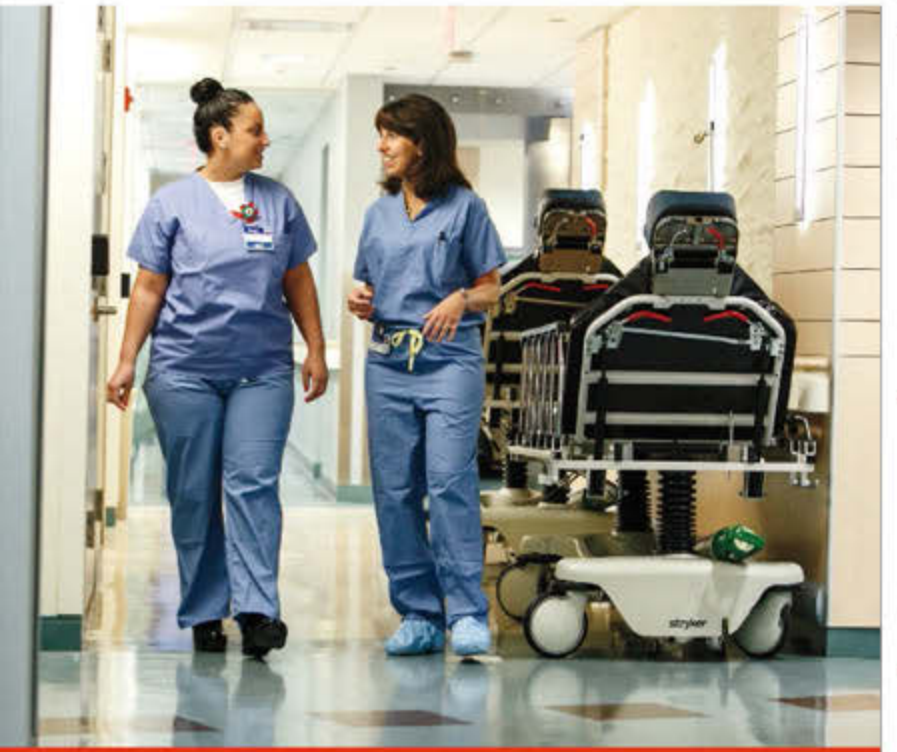


BREAK TIME Many of WeWork's offices offer creative distractions.

COURTESY OF WEWORK

10 Best Companies for Women

THE HEALTH CARE INDUSTRY IS DOMINATING THE MARKET FOR FEMALE TALENT BY OFFERING FLEXIBLE WORK OPTIONS AND PROMOTING MANY INTO LEADERSHIP ROLES. *By Colleen Leahey*



COURTESY OF MERIDIAN HEALTH

IT HAS BECOME TRENDY for companies to boast publicly about their efforts to provide more female-friendly perks. Increased maternity leave (both paid and unpaid), telecommuting, job sharing—the list goes on. And just last year Apple and Facebook began offering financial aid to female employees undergoing cryo-vitrification. The underlying goal? To attract and retain the best female talent in a highly competitive industry.

As many types of companies try to increase workforce diversity, the industries that traditionally attract more women workers (such as health care) continue to thrive. Thanks to a mix of great benefits, stable career paths, and supportive cultures, women make up 45% or more of the leadership positions at these 10 companies.

EMPLOYEE CARE Registered nurses at Meridian Health receive average pay of $83,481 a year.

1. MERIDIAN HEALTH

Women account for a whopping 80% of the health system's workforce and fill 63% of leadership positions. "I feel very lucky to have a company that encourages women to work while having a family by providing affordable onsite child care," says one employee.

2. CHILDREN'S HEALTHCARE OF ATLANTA

The pediatric hospital offers $10,000 for adoption benefits, bountiful paid time off for new parents, telecommuting, job sharing, and flexible scheduling. "Children's is geared toward family first, so there is never a hassle if you need time off," says an employee.

3. PERKINS COIE

Women occupy 68% of the law firm's leadership positions. "I really appreciate the work-from-home option. In the past couple of years the company has made the work-remotely option a much easier way to work," says one female employee. "I am fortunate the company encourages this."

4. ALSTON & BIRD

Workers adore this global law firm, which, an employee says, "is wonderful about supporting new mothers and their needs once they return to work." Another says, "The firm has helped me with elder care, child care, and adoption benefits. Because of this I give 200% at work."

5. NOVO NORDISK

After one year of service, the pharma company offers an additional 12 weeks of bonding leave after short-term disability ends, including one week paid. "Management stresses to us to take vacations and not work on weekends. It's is one of the reasons I love working here," says a worker.

6. BAPTIST HEALTH SOUTH FLORIDA

Baptist offers a 50% 403(b) match up to 2% of salary—but it's the culture that has female employees raving. Eighty-five percent of employees say they're encouraged to balance work responsibilities with personal ones. "We all have lives outside of work, and Baptist recognizes that," says one.

7. ATLANTIC HEALTH SYSTEM

The hospital offers a wide variety of commitment levels for its workforce. "I have been able to work full-time, part-time, and per diem and back to full-time during the various stages of raising my family," says an employee. "I want to give back to the organization because it has been so great to me."

8. SCRIPPS HEALTH

Some 68% of Scripps's leaders are women—and managers/directors receive average pay of roughly $124,800. Workers say the company exudes a communal feel. "There is a sense of family, and people go out of their way for others, whether it's a co-worker or patient," says one employee.

9. NORDSTROM

About 60% of the retailer's 61,666 workers in the U.S. are under 35. Besides health care for part-time employees who work 30 hours or more a week, Nordstrom empowers its workforce. "Nordstrom gives you the freedom to make decisions and find ways to make customers happy."

10. WELLSTAR HEALTH SYSTEM

Women make up 82% of the hospital system's workforce, and 54% of them have been at the hospital for more than five years. Great benefits, such as backup care, concierge services, and flexible hours, allow employees to concentrate free of distractions, says one employee.

***Criteria:** To determine the Best Companies for Women list, we asked Great Place to Work to focus on the 100 Best Companies that have the highest female population as well as the most women in senior leadership and management positions. We included only companies that offer job sharing, telecommuting, and flexible scheduling options, as well as exemplary maternity and adoption benefits. For more info, go to* fortune.com/best-companies-women.



CEO TERRI KELLY is a Gore lifer. She started at the company in 1983 as an associate—her first job after college.

COURTESY OF W.L. GORE

A LATTICEWORK OF WORKERS

MANUFACTURER **W.L. GORE & ASSOCIATES** HAS HAD "CULTURE" SINCE 1958.

By Daniel Roberts

GORE-TEX FABRIC is certainly W.L. Gore's best-known product, but it is just one of many in a diverse portfolio that includes vacuum filters, microwave cable assemblies, guitar strings, dental floss, acoustic vents for cellphones, and even medical devices to treat heart defects. If it were publicly traded, the $3.1 billion private company would appear at No. 712 on the *Fortune* 1,000. But Gore-Tex is not the only thing this company is known for—it's also famous for making employees deliriously happy.

Gore has earned a spot on *Fortune*'s 100 Best Companies to Work For list every year since 1998, and workplace experts



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W.L. GORE IS A 100 BEST COMPANIES ALL-STAR: IT HAS APPEARED ON THE LIST EVERY YEAR SINCE 1998.

have long studied and replicated the Delaware-based company's people practices. "We're quite proud of that," says CEO Terri Kelly. "You can have a blip, a one-off good year. But for us it's all about sustaining that over time." Longevity, it seems, is a company hallmark: Full-time voluntary turnover is a very low 3%.

But don't confuse Gore with Google or Twitter. Today the word "culture" is often equated with free perks, like lunches or massages. Gore's HR team says it has a "conscious culture," one that Malcolm Gladwell used as a case study in *The Tipping Point* and that hasn't changed much since 1958, when Wilbert "Bill" Lee and Genevieve Gore created the company.

THE FOUNDERS sought to combat the traditional notion of management. Instead of a typical corporate structure, Gore has no rigid hierarchy but is instead a unique organization described by Bill Gore as a "latticework" of strong interconnected talents woven together like a tapestry, or—if you want to go there—an impermeable textile. Managers are called "leaders," who oversee teams and divisions, and all employees are known as "associates." Yes, it has a CEO, but Kelly says she doesn't like the term. The thinking, she says, is to "empower the individual. That scares a lot of companies because you think you'll lose control."

NO. 17

W.L. GORE

> NEWARK, DEL.
> EMPLOYEES: 6,453

And unlike many other, newer companies focusing on culture, Gore shirks the perks that are showered liberally on many of the other 100 Best Companies. Its headquarters doesn't have foosball tables or napping pods. "We had culture before 'culture' was a buzzword," says Leslie Nachbar, an associate in fabrics who has been



TOSSING THE DICE
W.L. Gore associates participate in team-development games.

COURTESY OF W.L. GORE



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at Gore for five years and says she'd be happy to stay forever. "It's authentic. It's not a façade or marketing strategy."

Making culture authentic requires buy-in from the entire workforce. Betty Snyder, a board member and one of five children of the founders, says the company has earned that over time. "Values continue on through the life of the organization," she says, "and it can take an earthquake to change them. We have a value system that looks at results not only in monetary terms but also in emotional terms. And once you've been here awhile, you become an advocate."

Faith in the culture naturally leads to employee loyalty. Gore was Terri Kelly's first employer after graduating from the University of Delaware; she's never had another. When she became CEO in 2005, after 22 years, she says, "It shocked the heck out of me." Leadership opportunities at Gore are based on how much of a "followership" someone has among co-workers. Gore also uses peer assessments to determine compensation.

Matt Schreiner, an associate in fabrics, has worked at Gore for more than 20 years and says peer camaraderie is key. "People here really enjoy getting up and coming in to work every day. I know that sounds clichéd, but it's an uplifting space." In his work at the footwear division, interacting with companies like Nike and Timberland, he constantly hears feedback that there is "something special about people from Gore."

To be sure, the company says it is always looking for ways to grow. Case in point: Over the past 57 years it has expanded overseas, with manufacturing facilities in Germany, the U.K., Japan, and China, and it counts 6,500 employees globally. But Gore in 2015 is not so different from Gore four decades ago, and Snyder wants to change that. The company prides itself on the informal reporting structure—more senior people have abstract "higher water lines" instead of fancier titles—but it also aims for more clarity. And although Snyder says Gore's physical spaces are "utilitarian, not showy," the company touts its "capability center" in Delaware, which opened in 2007 and was designed with help from IDEO. Part corporate museum, part interactive science center, it's where the company conducts meetings with potential partners. Two more capability centers are planned, for Tokyo and Germany.

As part of a "strategy refresh" last year, the company divided staff into two groups for separate surveys and candid discussions about how they fit into the company's culture. The split was generational: Older veterans—"I call them 'The Wise,'" says Kelly—and younger employees (think millennials). The results helped Kelly rethink the needs of staff. For example, Gore is known for having lifers who stay for their entire careers, but it can't assume nowadays that young folks want that kind of path. In the past, at meetings every associate would go around the table and say how many years he had logged at the company. No more. "What we realized is that that really turns people off," says Kelly. "Young associates might think, 'Geez, I'm not going to have any credibility until I've been here 30 years!'"

As for Gore's use of internal technology, the younger generation "had some things to say that kind of you hit in the stomach. We had been very behind with adopting technology—iPhones and iPads and workflow apps—and using them to help teams move faster and communicate," says Kelly. As part of the refresh, Gore partnered with Silicon Valley–based Institute for the Future in an effort to modernize. Kelly says that Gore is aiming to become more connected, but cautiously and carefully—a strategy that founders Bill and Genevieve, employees say, would definitely approve.

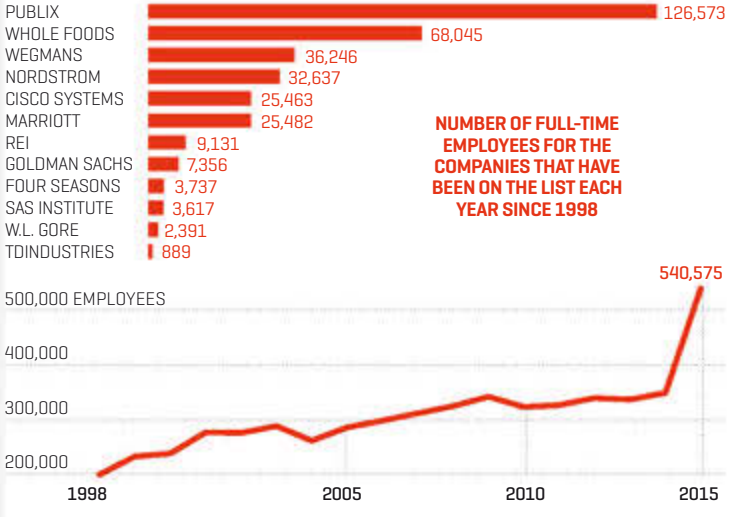
SECRETS FROM A RECRUITER

"Show us ownership. At Google you can't wait for someone to assign you a problem to fix. Candidates who spot wrongs that need righting, who see the next hurdle as a 10x opportunity, and who see 'Whys?' as 'Why nots?' thrive at Google."

—KYLE EWING, DIRECTOR OF GLOBAL STAFFING, GOOGLE **[NO. 1]**

100 BEST COMPANIES ALL-STARS

Over the past 18 years, the 12 companies that have appeared on the list every year created 341,567 new jobs, an increase of 172% job growth.



GRAPHIC SOURCE: GREAT PLACE TO WORK INSTITUTE


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GOOGLE'S 10 THINGS TO TRANSFORM YOUR TEAM AND YOUR WORKPLACE

WHAT YOU CAN DO, STARTING TOMORROW. *By Laszlo Bock, SVP of people operations*



IN MY YEARS AT GOOGLE I've noticed that some of the ideas about culture that we put into place were not that groundbreaking. But they still deserve attention.

You either believe people are fundamentally good or you don't. If you do believe they're good, then as an entrepreneur, a team member, a team leader, a manager, or a CEO, you should act in a way consistent with your beliefs. If people are good, then they should be free. Too many organizations and managers operate as if, absent some enlightened diktat, people are too benighted to make sound decisions and innovate.

The question is not, What management system is required to change human nature? but rather, What is required to change the nature of work?

In each chapter of my new book I offer short lists of "work rules," in case you want to focus on one area or another. But if you want your company to have a high-freedom environment, here are the 10 steps that will help you quickly transform your team or workplace.

ILLUSTRATION BY SEBASTIAN THIBAULT

1. GIVE YOUR WORK MEANING

Work consumes at least one-third of your life and half your waking hours. It can and ought to be more than a means to an end.

In too many environments, a job is just a paycheck. But as Wharton professor Adam Grant's work demonstrated, even a small connection to the people who benefit from your work not only improves productivity but also makes people happier. And everyone wants his work to have purpose.

Connect it to an idea or a value that transcends the day to day and that also honestly reflects what you are doing.

2. TRUST YOUR PEOPLE

If you believe human beings are fundamentally good, act like it. Be transparent and honest with your people, and give them a voice in how things work.

And the only way for that to happen is if you give up a little bit of your authority, giving them space to grow into it. This may sound daunting, but in reality it's not too risky.

And if you are part of a team, make this plea to your boss: Give me a chance. Help me understand what your goals are, and let me figure out how to achieve them.

Small steps like these create the trail to an ethos of ownership.

3. HIRE ONLY PEOPLE WHO ARE BETTER THAN YOU

Organizations often act as if filling jobs quickly is more important than filling jobs with the best people.

Hire by committee, set objective standards in advance, never compromise, and periodically check if your new hires are better than your old ones.

The proof that you are hiring well is that nine out of 10 new hires are better than you are.

4. DON'T CONFUSE DEVELOPMENT WITH MANAGING PERFORMANCE

In all cases, don't rely solely on the manager to come up with an accurate picture of how people are doing. For development, solicit input from peers, even if it's as simple as asking or sending out a short questionnaire. For performance evaluation, require managers to sit together and calibrate their assessments as a group to guarantee fairness.

Excerpted from *Work Rules!*, to be published in April 2015 by Twelve Books, an imprint of Hachette Book Group. Copyright © 2015 by Laszlo Bock.



5. FOCUS ON THE TWO TAILS

Put your best people under a microscope. Through a combination of circumstance, skill, and grit, they have figured out how to excel.

At the same time, have compassion for your worst performers. If you're getting hiring right, most of those who struggle do so because you've put them in the wrong role, not because they are inept. Help them to learn or to find new roles.

6. BE FRUGAL AND GENEROUS

Most things we do for our people cost nothing. Have vendors bring services in-house or negotiate lunch delivery from a local sandwich shop. TGIF [all-hands meetings] and guest speakers require only a room and a microphone. Yet they result in a Brownian abundance: Googlers are constantly bumping into a new service or an intriguing discussion.

Save your big checks for the times when your people are most in need, the moments of greatest tragedy and joy. Your generosity will have the most impact when someone needs emergency medical attention or when families are welcoming new members. Focusing on those most human moments underscores that your organization cares about each individual personally. And all workers will draw comfort from knowing that should they encounter one of life's lowest or highest moments, they'll have the strength of a larger institution behind them.

7. PAY UNFAIRLY

Ninety percent or more of the value on your teams comes from the top 10%. As a result, your best people are worth far more than your average people. They might be worth 50% more than your average people or 50 times more, but they are absolutely worth more. Make sure they feel it. Even if you don't have the financial resources to provide huge differences in pay, providing greater differences will mean something.

8. NUDGE

Look around you right now and discover how your environment is nudging you and those around you already. Is it easy to see other people and connect? Are the least-healthy snacks in your refrigerator at eye level? When you email or text your colleagues and friends, is it to share good news or snark? We are all constantly nudged by our environment and nudging those around us. Use that fact to make yourself and your teams happier and more productive.

Arrange your physical space in a way that encourages behaviors you want: If you need people to collaborate and are stuck with cubicles, knock down the walls. Be thoughtful in how you send messages to your teams. Share data about what is going right, such as the number of people volunteering with local charities, to encourage others to get involved. You'll be surprised by how different the same place can feel.

9. MANAGE THE RISING EXPECTATIONS

You'll trip up sometimes and need to take backward steps. Be prepared to eat your goji pie. Knowing that, tell people around you that you'll be experimenting with ideas before you start experimenting. That will help transform them from critics to supporters, and they'll extend you the benefit of the doubt if things go awry.

10. ENJOY! AND THEN GO BACK TO NO. 1 AND START AGAIN

This isn't a one-time effort. Building a great culture and environment requires constant learning and renewal. Don't worry about trying to do everything at once. Experiment with one idea or with a dozen, learn from the experiment, tweak the program, and try again.

What's beautiful about this approach is that a great environment is a self-reinforcing one: All these efforts support one another and together create an organization that is creative, fun, hardworking, and highly productive.

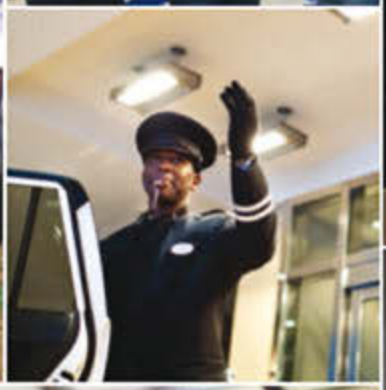
If you believe people are good, then live your beliefs through your work.

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Work/Life Integration Is the New Normal

GONE IS THE NOTION OF BALANCE AS WORKERS INCREASINGLY BLUR THE LINE. ***By Laura Vanderkam***

IN A CORNER of West Philadelphia, the cranes have been busy. The project? A few hundred luxury apartments aimed at professionals working at the nearby University City Science Center.

Increasingly, notes Stephen Tang, president and CEO of this incubator and research park, the professionals running these startups want to work and live in the same space. They think little of a workout at noon and a conference call at 9 p.m.

"I think it's just life," Tang says. If people enjoy what they do, there's no need to draw strict lines.

He's not the only one thinking this way. Increasingly people are rejecting the notion of "work/life balance" in favor of another phrase: "work/life integration." Thanks to smartphones and the growing popularity of working remotely, moving work around on dimensions of time and space is not only possible, but has become the norm.

That's what I found when I completed a time diary study of 1,001 days in the lives of high-earning women and their families. A full 75% of time logs showed something personal during traditional work hours: exercise, school visits. On the flip side, 77% showed work outside the workday norm. Women took calls after their kids went to bed. They wrote reports on weekends.

Eileen Hiromura is a Google product manager. On the Friday of the week she logged for me, her two kids visited her for lunch. She came into work at 10:30 a.m. on Wednesday because she took her kids to the dentist. But she still logged full-time hours. She checked email at night and had this odd habit: waking up at 3 a.m. some nights and working for 90 minutes before going back to sleep. She wasn't sleep-deprived (she logged 56 hours of sleep that week). She just liked that quiet time.

While people don't necessarily want to be on calls at 10 p.m., many parents are willing to make that trade to come home for family dinner. Indeed, the ability to integrate work and life is what allows some people to stay in the workforce. Kristin Thomas has four young children and works 30 to 35 hours a week as the director of employer outreach for FlexJobs, a job service specializing in flexible and telecommuting positions. Thomas works from home during the hours that suit her. Without that flexibility, "I wouldn't be working," she says.

And increasingly, she says, she is seeing job candidates who are "bold enough to ask about the flexibility offered."

But why not? For many people the ability to integrate work and life is like asking if a major firm offers health insurance. You assume so, but just want to check that box before the conversation continues.

To be sure, while "work/life integration is the reality," says Cali Yost, founder of Flex + Strategy Group/Work + Life Fit, that doesn't mean that most employers have coherent plans to deal with it. "All of this integration is very much happening by the seat of our pants."

Laura Vanderkam is the author of the forthcoming book I Know How She Does It: How Successful Women Make the Most of Their Time *(Portfolio, June 9, 2015).*

The Best Companies

BY MILTON MOSKOWITZ
AND ROBERT LEVERING

THE 100
BEST COMPANIES
TO WORK FOR



to Work For

WITH ADDITIONAL REPORTING BY
ERIN BARTULSKI, ED FRAUENHEIM, SHALENE GUPTA,
ROBERT HACKETT, AND DEENA SHANKER
ILLUSTRATION BY PETER TARKA

THIS YEAR'S RANKING of the 100 Best Companies to Work For marks *Fortune*'s 18th year of partnering with workplace consultant Great Place to Work. It also happens to include a large class of inductees—16 very worthy newcomers, including Twitter, Acuity, Workday, Nationwide, and Hilti, and one returnee following a 16-year absence: outdoor retailer L.L. Bean. ¶ As we read through thousands of employee comments and survey results, we noticed three trends. ¶ First, the best workplaces are getting better. Because Great Place to Work has used the same rigorous methodology to identify the nation's best employers for nearly

two decades, we can make comparisons. Take education and development, for example. In 1998 the average amount of training for managers and professionals was 41 hours, while hourly and administrative staffers received 33 hours. This year the numbers were 78 and 94 hours, respectively, which is nearly 80% higher.

But it's not just specific programs that are more generous. The primary tool used to select and rank candidates is Great Place to Work's Trust Index survey, which is distributed to a sample of employees at each company. In effect, the workers vote their companies onto the list using criteria related to the quality of their workplace cultures. Looking at this year's data, we discovered that 2015's 100 Best Companies scored an average of 13% higher than their worthy counterparts nearly two decades ago. That means the happiest employees have gotten even happier.

Why? That leads us to our second trend: The best employers are better because more business leaders are focused on workplace culture as a competitive tool. You will see that most of these firms are winners in the marketplace as well as in the workplace. Prime example: Google, which occupies the top spot for the sixth time in eight years. Google's leaders explicitly attribute the company's financial performance to its benevolent people practices.

Also consider the 12 companies that have made this list every year since we published the first list in 1998. Over the past 17 years they have collectively created a net total of 341,567 jobs, for a whopping average increase of 172%. The top job creator: Whole Foods, with a 784% jump, from 8,681 team members to 68,045.

Or you can look at stock performance. Since 1998 the 100 Best Companies have outperformed the S&P 500 index by a ratio of nearly 2 to 1, according to a study by the Russell Investment Group. Companies on this list are shining examples of a different way of doing business that puts to rest the old notion

NOTES: ALL DATA ARE FROM JULY 2014.

*CORPORATE HEADQUARTERS

†GLOBAL HEADCOUNT FOR GOOGLE. ALL OTHER COMPANY HEADCOUNTS ARE FOR FULL-TIME AND PART-TIME EMPLOYEES IN THE U.S.

‡JOB OPENINGS AS OF FEBRUARY 2015 AND ARE SUBJECT TO CHANGE

COMPANY PROFILES
For the complete list, including data about hiring, perks, paid time off, and compensation tables, go to fortune.com/bestcompanies

that treating employees well might hurt the bottom line. Indeed, most would agree with the Marriott philosophy: "Take care of associates, and they will take care of the customers."

Third trend: Each of the 100 Best Companies has leaders who genuinely listen to their employees and craft distinctive policies and programs that suit today's workforce. The perks listed in our brief descriptions of these firms are only the tip of the iceberg in workplace cultures where every employee is considered important. We like the observation of Scott Scherr, founder and CEO of Ultimate Software: "The true measure of a company is how they treat their lowest-paid employees."

As you read the company profiles that follow, we invite you to think about taking an idea back to your workplace. If enough employees insist that their companies emulate the 100 Best Companies, the winners will be the companies and the people who work there. Our list is proof that it can be done.

JUSTIN SULLIVAN—GETTY IMAGES



"What is the one-sentence summary of how you change the world? Always work hard on something uncomfortably exciting."

LARRY PAGE, CEO, GOOGLE (NO. 1)

1 GOOGLE

> MOUNTAIN VIEW, CALIF.* > EMPLOYEES: 44,862† 2,500 JOB OPENINGS‡

The media and tech giant celebrates its sixth appearance as No. 1 and recently bolstered its parental-leave benefits. New parents, regardless of gender (including dads, domestic partners, adoptive parents, and surrogate parents), can now get up to 12 weeks of fully paid baby-bonding time. Google also provides $500 in "bonding bucks" to all new parents to use during the first three months of their child's life.

2 BOSTON CONSULTING GROUP

> BOSTON
> EMPLOYEES: 2,701
> 1,000 JOB OPENINGS

One of the allures of working for BCG is the ability to take a social-impact leave of absence for three to 12 months. In 2014, BCG had staffers working for Techno Serve, the World Food Programme, the Clinton Health Access Initiative, Education Pioneers, Green Dot, the Gates Foundation, the Ethiopian Agricultural Transformation Agency, and Yunus Social Business.

[NEW] 3 ACUITY

> SHEBOYGAN, WIS.
> EMPLOYEES: 1,039
> 150 JOB OPENINGS

The Midwestern property and casualty insurer makes its debut on our list with astounding benefits: no limit on tuition reimbursement, no cap on paid sick days for full-time employees, and a healthy 401(k) plan in which the company plunks 8% of pay into accounts every quarter. No wonder full-time turnover is only 1%. (See story in this issue.)

PERK KEY TUITION REIMBURSEMENT ONSITE MEDICAL CENTER PAID TIME OFF TO VOLUNTEER

4 SAS INSTITUTE

> CARY, N.C.
> EMPLOYEES: 6,647
> 350 JOB OPENINGS

Founded by Jim Goodnight, this analytics software maker sits on a lush campus that is maintained by a team of 37 landscapers, who plant more than 3,800 flowers every year. They are direct employees of SAS, not contractors. As such, they enjoy generous benefits including onsite child care, health and fitness centers, a pharmacy, and subsidized meals.

6 EDWARD JONES

> ST. LOUIS
> EMPLOYEES: 37,164
> 4,874 JOB OPENINGS

The Edward Jones shingle, signifying investment advice, has gone up at more than 12,000 locations. This expansion will create new opportunities for employees. By 2020 the firm expects to have 20,000 financial advisers, up from nearly 14,000 today.



THE 100 BEST COMPANIES TO WORK FOR *List*

8 SALESFORCE .COM

> SAN FRANCISCO
> EMPLOYEES: 10,146
> 946 JOB OPENINGS

The cloud-computing pioneer more than doubled its workforce in the past three years via events like an Oktoberfest-themed "bring a referral" happy hour and such referral rewards as two first-class roundtrip airline tickets to a destination of choice, along with $5,000 in spending money. The company gets 58% of new hires from employee referrals.

10 CAMDEN PROPERTY TRUST

> HOUSTON
> EMPLOYEES: 1,746
> 72 JOB OPENINGS

Employees say work is "fun filled" at this firm—which owns and operates 167 apartment complexes—thanks to happy hours, baby showers, and an annual conference that brings managers to headquarters in Houston. The company also takes care of employees' families with fully furnished vacation suites, a 20% discount on rent, and college scholarships.



5 ROBERT W. BAIRD

> MILWAUKEE
> EMPLOYEES: 2,822
> 98 JOB OPENINGS

The investment adviser has $120 billion in client assets and attributes success to "the Rule": There are "no a--holes here." Over the years roughly two dozen people have been terminated for breaking the rule.

7 WEGMANS FOOD MARKETS

> ROCHESTER, N.Y. > EMPLOYEES: 43,211 1,900 JOB OPENINGS

Employees of the family-owned supermarket chain wear name tags that bear the number of years of "incredible service" they have accumulated. Hundreds of them visit the company's own 50-acre organic farm each year in upstate New York.

9 GENENTECH

> SOUTH SAN FRANCISCO
> EMPLOYEES: 12,895
> 993 JOB OPENINGS

On April Fools' Day, the biotech drugmaker posted a phony story on its intranet saying that goats would be used for campus landscaping and asked employees to adopt them. Real goats were brought onsite, and more than 300 employees signed up. One employee: "Nice job, Genentech. I love this place!"

11 KIMPTON HOTELS & RESTAURANTS

> SAN FRANCISCO
> EMPLOYEES: 8,116
> 445 JOB OPENINGS

Last year the chain of 65 boutique hotels agreed to be acquired by Intercontinental Hotels Group (owner of the Holiday Inn brands) and will be operated as a subsidiary. Upon the announcement, Kimpton employees were promised that its exemplary culture would remain intact. New properties are 50% staffed with relocated employees.

PERK KEY TUITION REIMBURSEMENT ONSITE MEDICAL CENTER PAID TIME OFF TO VOLUNTEER

COURTESY OF WEGMANS



12 QUICKEN LOANS

> DETROIT > EMPLOYEES: 9,010 600 JOB OPENINGS

Football fans at this mortgage lender are thrilled that Quicken has become an official sponsor of the Detroit Lions, opening an entire section (63 seats) for the company's use. If that weren't enough, the company also provides free shuttles to Cleveland to catch Cavaliers games—Dan Gilbert, owner of Quicken, is a majority owner of the Ohio team. Gilbert is also helping lead an effort for renewal by transforming the downtown area.

[NEW] 13 RIOT GAMES

> SANTA MONICA
> EMPLOYEES: 1,052
> 490 JOB OPENINGS

The developer of the best-selling videogame *League of Legends* holds an annual We Riot event. In 2014 the company flew employees from offices around the globe to Seoul, where they joined 145 Korean employees for a week of gaming competitions at the World Cup Stadium. "Best time I've had in my entire 17-year gaming career," says one participant.

14 DAVID WEEKLEY HOMES

> HOUSTON
> EMPLOYEES: 1,133
> 89 JOB OPENINGS

The builder of upscale homes offers full-time employees the opportunity to pursue their own "vision quest" after 10 years of service with a four-week, fully paid sabbatical. The company allows them to extend it with another two weeks of unpaid time off, and will even kick in a grant of $2,000 to cover travel and education expenses.

15 BURNS & MCDONNELL

> KANSAS CITY
> EMPLOYEES: 4,498
> 746 JOB OPENINGS

The employee-owned engineering firm works hard to cultivate the next generation of science and engineering talent. An "Engineering U." summer camp each June brings 40 high school students (25% female) to its Kansas City world headquarters to work alongside experienced engineers, architects, and construction professionals.

16 CHG HEALTH-CARE SERVICES

> SALT LAKE CITY
> EMPLOYEES: 1,783
> 49 JOB OPENINGS

The medical-staffing firm offers a healthy dose of training. Full-time hourly employees can expect 96 hours a year, while salaried staffers receive 125 hours. And the training isn't all about doing the current job better; 31% of the hours are devoted to professional growth. In addition, CHG reimburses tuition costs by as much as $5,250 a year.



"Our culture of innovation sets us apart from other companies and is at the heart of our ability to attract, inspire, and retain incredible employees."

—MARC BENIOFF, CEO AND FOUNDER, SALESFORCE .COM (NO. 8)

17 W.L. GORE

> NEWARK, DEL.
> EMPLOYEES: 6,453
> 77 JOB OPENINGS

A company slogan states, "We don't manage people; we expect people to manage themselves." Sounds utopian or New Age, but it plays out here at this maker of Gore-Tex, cables, filters, guitar strings, and dental floss, where leaders are named by their peers. The lack of formal hierarchy allows team members to name their own job titles.

18 NUSTAR ENERGY

> SAN ANTONIO
> EMPLOYEES: 1,210
> 50 JOB OPENINGS

The operator of oil pipelines and liquid storage terminals lands on this list because of its chairman, Bill Greehey, whose passion for safety, job security, philanthropy, and top-of-the-line pay and benefits has endeared him to employees. When new people join the company, they are encouraged to sign a pledge to volunteer in their communities.

19 STRYKER

> KALAMAZOO
> EMPLOYEES: 12,277
> 561 JOB OPENINGS

The medical-device maker has been a job-creating machine by growing its sales from $17 million in 1976 to $9.7 billion in 2014. It offers employees tuition reimbursement up to $15,000, an average of three weeks of training every year, a 401(k) match of 50% up to 8% of pay, and stock options for some employees with a window of up to 10 years for exercising.

20 HILCORP

> HOUSTON
> EMPLOYEES: 1,170
> 5 JOB OPENINGS

A "we are all in this together" culture at this oil and gas company was installed by founder Jeff Hildebrand and includes open-book management, rich bonuses averaging 33% of pay, and outrageous rewards for meeting targets. If goals are met in 2015, every employee will receive $100,000 (prorated based on hire date).

COURTESY OF QUICKEN LOANS; BENIOFF: TIM MOSENFELDER—GETTY IMAGES

21 ULTIMATE SOFTWARE

> WESTON, FLA.
> EMPLOYEES: 2,049
> 200 JOB OPENINGS

Revenue was up 23%, to $506 million, in 2014, which enabled the developer to add 423 people. All new employees receive restricted stock, which is up 1,000% since 2008 and recently traded at $168.

[NEW] 22 WORKDAY

> PLEASANTON, CALIF.
> EMPLOYEES: 3,100
> 700 JOB OPENINGS

This maker of cloud-based applications for HR and finance is a hit with employees. One Workmate told us, "We do fun outings and team-building activities, and we can bring our dogs to work!"

23 BAPTIST HEALTH SOUTH FLORIDA

> CORAL GABLES, FLA.
> EMPLOYEES: 14,156
> 819 JOB OPENINGS

The Miami area's biggest hospital system excels in helping workers with career goals. An "onboarding and employee development" team has resulted in 11,000 promotions over the past five years.

[NEW] 24 TWITTER

> SAN FRANCISCO
> EMPLOYEES: 2,530
> 623 JOB OPENINGS

New Tweeps spend their first week in "flight school" at headquarters, where they learn about the company intranet Birdhouse, which lets employees send a shout-out tweet to new colleagues.

25 KIMLEY-HORN & ASSOCIATES

> CARY, N.C.
> EMPLOYEES: 2,001
> 191 JOB OPENINGS

See someone going above and beyond? Nominate him for an immediate $50 reward. This design consulting firm approved 4,468 of these peer awards last year, which totaled $245,000 in bonuses.

26 NUGGET MARKET

> WOODLAND, CALIF.
> EMPLOYEES: 1,213
> 22 JOB OPENINGS

To refresh its high-energy culture, the grocery chain rented a school last year and converted it to "Nugget High," taking its managers back to school for a day of training courses.

27 THE CONTAINER STORE

> COPPELL, TEXAS
> EMPLOYEES: 4,240
> 294 JOB OPENINGS

A quarter of employees own stock thanks to an employee share program. It has never had any layoffs, and retail workers are paid nearly $50,000 a year, double the U.S. average.

28 WORLD WIDE TECHNOLOGY

> ST. LOUIS
> EMPLOYEES: 2,414
> 185 JOB OPENINGS

With 29 sites in the U.S., this supplier of high-tech products matches 401(k) contributions up to 6% of pay and employee charitable contributions up to a total of $500,000 a year.



THE 100 BEST COMPANIES TO WORK FOR *List*



"We focus on creating a great work environment. Happy team members are our best recruiters, referring more than one-third of new hires. Our greatest retention strategy is making sure all of our team members share in the company's success."

—KEITH ODEN, PRESIDENT, CAMDEN PROPERTY TRUST (NO. 10)

29 PLANTE MORAN

> SOUTHFIELD, MICH.
> EMPLOYEES: 1,935
> 110 JOB OPENINGS

Auditors at this 90-year-old accounting firm earn an average base pay of $78,000, but according to one staffer, "Other firms are all about the money. Plante Moran is all about the people."

30 BAKER DONELSON

> MEMPHIS
> EMPLOYEES: 1,289
> 10 JOB OPENINGS

The law firm has a 10-minute meeting, called the Daily Docket, every morning and offers a flexible schedule that lets employees structure work around their personal needs and goals.

31 INTUIT

> MOUNTAIN VIEW, CALIF.
> EMPLOYEES: 7,366
> 1,212 JOB OPENINGS

The developer of personal-finance software sponsors a Girl Geek Dinner, which brings together 100 Bay Area women to exchange ideas about inspiring females in the high-tech world.

32 ST. JUDE CHILDREN'S RESEARCH HOSPITAL

> MEMPHIS
> EMPLOYEES: 3,951
> 142 JOB OPENINGS

Full-time turnover at this pediatric hospital is an industry-low 5%, and last year the company received more than 48,000 applications for approximately 600 open positions.

33 USAA

> SAN ANTONIO
> EMPLOYEES: 26,267
> 1,100 JOB OPENINGS

The provider of financial services to nearly 11 million military families has child-care centers at its four major posts (San Antonio, Phoenix, Tampa, and Colorado Springs), and all are accredited.

34 JM FAMILY ENTERPRISES

> DEERFIELD BEACH, FLA.
> EMPLOYEES: 3,771
> 100 JOB OPENINGS

The auto retailer and distributor has amenities such as nine health clinics, 11 fitness centers, free haircuts and manicures, onsite child care, and cruises on the company's *Gallant Lady* yacht.

35 NETAPP

> SUNNYVALE, CALIF.
> EMPLOYEES: 7,459
> 700 JOB OPENINGS

Staff at this data-storage firm create individualized work plans, so they can get to kids' baseball practices and extend breaks by borrowing up to 40 hours against future accruals of time off.

36 AUTOMOTIVE RESOURCES INTL.

> MOUNT LAUREL, N.J.
> EMPLOYEES: 1,455
> 50 JOB OPENINGS

Eleven percent of employees take advantage of the 100% tuition reimbursement offered by the family-owned fleet manager. ARI takes care of more than 1 million vehicles on two continents.

PERK KEY TUITION REIMBURSEMENT ONSITE MEDICAL CENTER PAID TIME OFF TO VOLUNTEER

COURTESY OF CAMDEN PROPERTY TRUST

37 CREDIT ACCEPTANCE

> SOUTHFIELD, MICH.
> EMPLOYEES: 1,334
> 69 JOB OPENINGS

Employees at this credit and financial services company are greeted each day by an "officer of security and first impressions," who says his job is "putting smiles on team members' faces."

38 DEVON ENERGY

> OKLAHOMA CITY
> EMPLOYEES: 3,818
> 256 JOB OPENINGS

The oil and gas driller has a partnership with an inner-city school to provide one-on-one tutoring of students. Last year 240 Devon employees spent 3,000 hours at the school.

39 ATLANTIC HEALTH SYSTEM

> MORRISTOWN, N.J.
> EMPLOYEES: 10,312
> 593 JOB OPENINGS

The New Jersey hospital system proclaimed 2014 its "year of gratitude," launching a random-acts-of-kindness initiative, as well as a "What Color Are My Eyes?" campaign to encourage staffers to make eye contact with hospital guests.



"It's not about 'employees.' It's about you, you personally. I want to engage you. I want to have you set new aspirations and surpass them. I want you to be delighted in what you do."

BEN SALZMANN, CEO AND PRESIDENT, ACUITY (NO. 3)

[NEW] 40 O.C. TANNER

> SALT LAKE CITY
> EMPLOYEES: 1,354
> 256 JOB OPENINGS

Managers at this provider of HR services host an annual all-employee dinner at a five-star restaurant—and serve the meals themselves.

41 ALSTON & BIRD

> ATLANTA
> EMPLOYEES: 1,597
> 33 JOB OPENINGS

"Big law without big egos" is how one employee describes this global law firm. Presentations by attorneys often end with a slide crediting not only lawyers but researchers and tech support staff as well.

42 COOLEY

> PALO ALTO
> EMPLOYEES: 1,654
> 68 JOB OPENINGS

The support staff are treated very well at this international law firm. A contribution of 7.5% of pay is made to eligible employees' 401(k) accounts and is fully vested after only two years.

43 TEKSYSTEMS

> HANOVER, MD.
> EMPLOYEES: 3,607
> 1,100 JOB OPENINGS

The IT staffing and services agency relies on workers to recruit talent and boasts a referral rate of 57% for new hires. Additionally, top performers get a company-paid trip to Cancún.

SALZMANN: COURTESY OF ACUITY; EMPLOYEES: COURTESY OF ATLANTIC HEALTH SYSTEM



44 SOUTHERN OHIO MEDICAL CENTER

> PORTSMOUTH, OHIO
> EMPLOYEES: 2,357
> 71 JOB OPENINGS

Based in Ohio's Scioto County, SOMC no longer hires applicants who smoke, citing its mission, "We will make a difference." Scioto County has the highest rate of smokers per capita in the nation.

45 OHIOHEALTH

> COLUMBUS, OHIO
> EMPLOYEES: 16,385
> 1,095 JOB OPENINGS

This health care system of 11 hospitals hands out $5.5 million a year in wellness rewards and incentives to employees. More than 2,500 employees have been there 20 years or more.

46 PERKINS COIE

> SEATTLE
> EMPLOYEES: 1,626
> 84 JOB OPENINGS

This law firm's anonymous happiness committees leave gifts at workstations. New attorneys in some offices are asked to put on a funny skit and always create silly roles for the managing partner.

47 FOUR SEASONS HOTELS AND RESORTS

> TORONTO
> EMPLOYEES: 13,071
> 621 JOB OPENINGS

To foster innovation, the luxury hotel chain brings together teams from all areas. One team came up with a 15-minute room-service menu, which was rolled out globally within months.

48 FACTSET RESEARCH SYSTEMS

> NORWALK, CONN.
> EMPLOYEES: 1,997
> 50 JOB OPENINGS

The financial data provider to Wall Street professionals provides free lunches, 100% coverage of health insurance premiums, and standing workstations to help employees avoid backaches.



THE 100 BEST COMPANIES TO WORK FOR *List*

49 AFLAC

> COLUMBUS, GA.
> EMPLOYEES: 4,728
> 139 JOB OPENINGS

At this supplemental insurance company, African-Americans hold 35% of jobs, many in high-ranking positions, and it's been recognized by the M.L.K. Jr. Center for Nonviolent Social Change.

50 GOLDMAN SACHS

> NEW YORK CITY
> EMPLOYEES: 13,802
> 2,000 JOB OPENINGS

The Wall Street firm has 467 partners, each one earning well over $1 million a year, and its popular Talks@GS speaker series invites prominent thinkers to share ideas with employees.



COURTESY OF AUTODESK

PERK KEY TUITION REIMBURSEMENT ONSITE MEDICAL CENTER PAID TIME OFF TO VOLUNTEER

COURTESY OF BUILD-A-BEAR WORKSHOP; DEFRINO: COURTESY OF KIMPTON HOTELS & RESTAURANTS

51 AMERICAN EXPRESS

> NEW YORK CITY
> EMPLOYEES: 26,000
> 1,185 JOB OPENINGS

Sixteen employee affinity networks cover ethnicity, gender, sexual orientation, disabilities, and more. The largest network is the Women's Interest Network, with 24 global chapters.

52 AUTODESK

> SAN RAFAEL, CALIF. > EMPLOYEES: 3,209 > 527 JOB OPENINGS

The designer of engineering and entertainment software closes offices between Christmas Eve and New Year's Day, calling it an annual week of rest that is fully paid. And a new employee-referral system awards $3,000 for each successful hire.

53 MARRIOTT INTERNATIONAL

> BETHESDA, MD.
> EMPLOYEES: 102,868
> 5,412 JOB OPENINGS

Workers who accrue 25 years on the job get free hotel stays for life, even if they leave the company. All employees get discounts on vacation packages, hotel restaurants, and golfing.

54 QUICKTRIP

> TULSA
> EMPLOYEES: 16,864
> 429 JOB OPENINGS

The convenience store pays above-average wages (night assistant managers average $36K), and the benefits are rare in retail: a 50% 401(k) match up to 3% of pay and 79% of health premiums.

55 WHOLE FOODS MARKET

> AUSTIN
> EMPLOYEES: 76,726
> 1,804 JOB OPENINGS

Team members at this upscale grocery chain get 20% off store purchases and up to 30% if they are enrolled in a healthy lifestyles program, which includes a voluntary biometric screening.

56 L.L. BEAN

> FREEPORT, MAINE
> EMPLOYEES: 4,966
> 50 JOB OPENINGS

Returning to the list for the first time since 1999, Maine's legendary outdoor-apparel retailer has an unbelievably loyal staff. Turnover among full-time employees is a retail-industry low at 3%.

57 HOUSTON METHODIST

> HOUSTON
> EMPLOYEES: 15,592
> 1,807 JOB OPENINGS

After an acquisition brought more than 1,100 new employees, CEO Dr. Marc Boom asked them to email questions. His response time? Less than 30 minutes each for hundreds of queries.



"Employees at every level are empowered to do whatever it takes to care for the guest. We ask them to be themselves at work and trust their instincts. This freedom fosters an environment of creativity, happy employees, and loyal guests."

—MIKE DEFRINO, CEO, KIMPTON HOTELS & RESTAURANTS (NO. 11)

58 RECREATIONAL EQUIPMENT (REI)

> KENT, WASH.
> EMPLOYEES: 10,440
> 1,379 JOB OPENINGS

New CEO Jerry Stritzke, former president of luxury goods purveyor Coach, spent his first month unloading trucks, stocking shelves, assembling a bike, and kayaking in the Pacific Ocean.

59 BUILD-A-BEAR WORKSHOP

> ST. LOUIS
> EMPLOYEES: 3,273
> 29 JOB OPENINGS

The teddy-bear retailer recently added "DiBEARsity" as a core value, backing it up with a push to hire Spanish-speaking employees in stores and the "Bearquarters" call center. Nearly a third of its workers are minorities.



60 SCRIPPS HEALTH

> SAN DIEGO
> EMPLOYEES: 12,796
> 690 JOB OPENINGS

Leaders of this hospital system spent Groundhog Day shadowing staffers in different departments. Other staff can job-shadow peers to aid career development and overall collaboration.

61 CHILDREN'S HEALTHCARE OF ATLANTA

> ATLANTA
> EMPLOYEES: 7,559
> 500 JOB OPENINGS

The hospital has therapy dogs and regularly hosts visits from celebrities, including the Atlanta Falcons. Child Life Carnivals feature karaoke, face painting, pie-throwing contests, and dunking booths.

[NEW] 62 CUSTOMINK

> FAIRFAX, VA.
> EMPLOYEES: 1,113
> 88 JOB OPENINGS

The dress code at this online T-shirt retailer: Anything goes. Inkers enjoy a catered meal each week from a local restaurant, free massages, and the annual "Inkademy Awards."

63 KPMG

> NEW YORK CITY
> EMPLOYEES: 24,422
> 7,200 JOB OPENINGS

Employees at the accounting firm receive up to $5,000 for referrals. And former employees (referred to as "alumni") are also eligible — they can receive up to $500 for each successful new hire.

64 CARMAX

> RICHMOND
> EMPLOYEES: 19,914
> 2,500 JOB OPENINGS

America's largest used-car retailer offers a rich relocation package, which includes house-hunting trips, temporary housing costs, and moving expenses, and it covers new-home closing costs.

[NEW] 65 VMWARE

> PALO ALTO
> EMPLOYEES: 7,216
> 1,200 JOB OPENINGS

This provider of cloud infrastructure combines recognition and philanthropy: Staff who exemplify the firm's values get a bonus and $3,141.59 (the number pi) for a charity of their choice.

66 NOVO NORDISK

> PLAINSBORO, N.J.
> EMPLOYEES: 5,472
> 79 JOB OPENINGS

The Danish company, a leader in diabetes treatment, has enthusiastic U.S. workers. "I think the company combines the best of the Danish parent and the American way of working," says one employee.

67 PCL CONSTRUCTION

> DENVER
> EMPLOYEES: 1,533
> 84 JOB OPENINGS

The contractor is employee-owned via a stock-option program, but no one holds more than 5% of the shares. For many long-term employees, dividends and stock appreciation exceed salaries.

68 ALLIANZ LIFE INSURANCE

> MINNEAPOLIS
> EMPLOYEES: 1,689
> 75 JOB OPENINGS

The German-owned annuity and life insurer comes up with great benefits: two weeks of paid maternity leave on top of standard disability leave and a 401(k) with a dollar-for-dollar match up to 8% of pay.

[NEW] 69 TEXAS HEALTH RESOURCES

> ARLINGTON, TEXAS
> EMPLOYEES: 17,823
> 1,305 JOB OPENINGS

The faith-based health organization promotes an atmosphere of mutual support and optimism in which employees can voice concerns in town hall meetings.

70 CISCO SYSTEMS

> SAN JOSE
> EMPLOYEES: 36,463
> 2,640 JOB OPENINGS

Employees of the Silicon Valley stalwart can now get discounts of up to 35% on installation of solar panels in their homes; 95% of employees work at home an average of two days a week.

[NEW] 71 CADENCE DESIGN SYSTEMS

> SAN JOSE
> EMPLOYEES: 2,554
> 424 JOB OPENINGS

The software maker competes for talent in Silicon Valley by offering over-the-top benefits, including a "college coach" to assist employees' kids in the college selection and application process.



THE 100 BEST COMPANIES TO WORK FOR *List*



"Probably the single biggest initiative has been a program called PTO, which stands for predictability, teaming, and open communication. It not only has improved work-life balance but also has made the work more fulfilling and impactful, which is what we're all about."

—RICH LESSER, PRESIDENT AND CEO, BOSTON CONSULTING GROUP (NO. 2)

72 NAVY FEDERAL CREDIT UNION

> VIENNA, VA.
> EMPLOYEES: 11,186
> 843 JOB OPENINGS

The world's largest credit union has rich award recognition programs. Last year's career award winner received $10,000, and 73 employees received $3,000 for service excellence.

73 MAYO CLINIC

> ROCHESTER, MINN.
> EMPLOYEES: 43,609
> 1,965 JOB OPENINGS

A fund created by the hospital offers short-term financial assistance of up to $3,000 to help in difficult situations—and staffers aren't expected to repay. Over 450 employees have used nearly $840,000.

74 PRICEWATERHOUSECOOPERS

> NEW YORK CITY
> EMPLOYEES: 37,503
> 5,571 JOB OPENINGS

The giant audit and consulting firm promotes camaraderie through a variety of sports events. Nearly 400 players (from interns to partners) participated in the softball tournament in Denver.

75 ARNOLD & PORTER

> WASHINGTON, D.C.
> EMPLOYEES: 1,284
> 23 JOB OPENINGS

The law firm offers great benefits: 18 weeks of paid maternity leave, $10,000 in adoption aid, coverage for gender reassignment surgery, and longevity bonuses of up to $5,000 for 10 years of service.

76 HYLAND, MAKER OF ONBASE

> WESTLAKE, OHIO
> EMPLOYEES: 1,565
> 102 JOB OPENINGS

This software developer has 150 children enrolled in its on-site care center. Colleen Alber, a product evangelist, says, "I know my kids are being more than just watched but loved, educated, and enriched."

77 ROCHE DIAGNOSTICS

> INDIANAPOLIS
> EMPLOYEES: 4,380
> 142 JOB OPENINGS

Forty-two percent of workers have been here for more than 10 years, and they are vocal about why they like it: "It feels great to work for a company that is trying to solve the next unmet medical need."

78 HYATT HOTELS

> CHICAGO
> EMPLOYEES: 43,167
> 3,925 JOB OPENINGS

Many employees say a family feeling permeates this big hotel chain, which was founded by the Pritzker family. New employees are welcomed by spending a night as a guest.

79 EY

> NEW YORK CITY
> EMPLOYEES: 31,288
> 1,800 JOB OPENINGS

The rebranded Ernst & Young also unveiled a new purpose: "Building a better working world." To recognize staff during the busy season, the firm issued $5 million in bonuses to auditors.

PERK KEY: TUITION REIMBURSEMENT · ONSITE MEDICAL CENTER · PAID TIME OFF TO VOLUNTEER

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80 GENERAL MILLS

> MINNEAPOLIS
> EMPLOYEES: 16,200
> 150 JOB OPENINGS

This food giant knows about talent retention. Turnover of full-time employees is just 3% annually, and more than half of its workers have been on the job for 10 years, with nearly 3,500 for more than 20.

81 PUBLIX SUPER MARKETS

> LAKELAND, FLA.
> EMPLOYEES: 167,367
> 4,200 JOB OPENINGS

America's largest private employee-owned company hands out thousands of service and performance awards each year. Last year 92 associates were saluted for more than 40 years of service.

82 BRIGHT HORIZONS

> WATERTOWN, MASS.
> EMPLOYEES: 16,782
> 1,120 JOB OPENINGS

When Roger Brown and Linda Mason founded this company in 1986 to provide onsite child care, little did they imagine how large it would become: 662 centers employing 17,000 caregivers.

83 TDINDUSTRIES

> DALLAS
> EMPLOYEES: 1,861
> 85 JOB OPENINGS

Employees at TDIndustries are called partners because they become shareholders through the employee stock ownership plan. The 69-year-old company is 100% employee-owned.

84 MERIDIAN HEALTH

> WALL, N.J.
> EMPLOYEES: 10,154
> 700 JOB OPENINGS

This New Jersey health care system provides onsite child care at three of its six hospitals, where employees pay an average of $663 per month, well under the national average of $972.

85 MARS

> MCLEAN, VA.
> EMPLOYEES: 11,545
> 590 JOB OPENINGS

The food and candy giant opened its first new U.S. chocolate factory in 35 years, which created 200 jobs at a 500,000-square-foot plant in Topeka and will turn out 39 million M&M's every day.

86 ZAPPOS.COM

> LAS VEGAS > EMPLOYEES: 1,441 115 JOB OPENINGS

The online retailer created Open Market—referred to as "Om" internally—an online scheduling platform that allows call-center workers to set their hours and pays them based on an Uber-esque surge-pricing model.





THE 100 BEST COMPANIES TO WORK FOR *List*

87 WELLSTAR HEALTH SYSTEMS

> MARIETTA, GA.
> EMPLOYEES: 13,612
> 781 JOB OPENINGS

Standout benefits at this system of five hospitals include concierge service for employees, two child-care centers, and an old-fashioned defined-benefit pension that is funded 100%.

88 THE CHEESECAKE FACTORY

> CALABASAS HILLS, CALIF.
> EMPLOYEES: 35,140
> 1,750 JOB OPENINGS

Full-time servers earn an average of $42,500 a year and enjoy benefits not common in the field: health insurance and a health care advocacy service available to all employees as well as their families.

[NEW] 89 HILTI

> TULSA
> EMPLOYEES: 2,061
> 189 JOB OPENINGS

The time-off policy at this specialized toolmaker reads, "You shouldn't take time off only when you are sick; you should take time off to manage and maintain your health!"

PERK KEY TUITION REIMBURSEMENT ONSITE MEDICAL CENTER PAID TIME OFF TO VOLUNTEER

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THE 100 BEST COMPANIES TO WORK FOR
List

METHODOLOGY

Fortune partners annually with Great Place to Work to conduct the most extensive employee survey in corporate America to identify the 100 Best Companies to Work For. Two-thirds of a company's survey score is based on the results of the Trust Index Employee Survey, which is sent to a random sample of employees from each company. This survey asks questions related to employees' attitudes about management's credibility, overall job satisfaction, and camaraderie. The other third is based on responses to the Culture Audit, which includes detailed questions about pay and benefit programs and a series of open-ended questions about hiring practices, methods of internal communication, training, recognition programs, and diversity efforts. To nominate your company for the 2016 list, go to greatplacetowork.com/learn-what-it-takes.

90 ADOBE SYSTEMS

> SAN JOSE
> EMPLOYEES: 5,797
> 1,000 JOB OPENINGS

The graphics software maker (Photoshop, Acrobat) gives staffers bonuses for patents and hosts them at an annual banquet. In the past year, more than 350 patents were issued to over 450 Adobe employees.

91 CAPITAL ONE

> MCLEAN, VA.
> EMPLOYEES: 40,568
> 4,962 JOB OPENINGS

The financial services company began a new "surprise and delight" pilot program that gives call-center agents resources to follow up on customer conversations in personalized ways.

[NEW] 92 RYAN

> DALLAS
> EMPLOYEES: 1,407
> 273 JOB OPENINGS

Well over half the employees at this tax-prep firm have compensation linked to the results achieved for clients, which motivates them not to leave on the table any opportunity for a refund.

93 NORDSTROM

> SEATTLE
> EMPLOYEES: 61,666
> 6,868 JOB OPENINGS

The retailer empowers its sales staff. Says one employee: "I've worked in retail for more than 10 years and have never found a place that gives me as much freedom as I have at Nordstrom."

97 DELOITTE

> NEW YORK CITY
> EMPLOYEES: 46,136
> 7,800 JOB OPENINGS

Philanthropy is a motivational driver of culture at the nation's biggest professional service firm. One day each June nearly the entire U.S. operation takes the day off to volunteer.

[NEW] 94 ARTHREX

> NAPLES, FLA.
> EMPLOYEES: 1,895
> 213 JOB OPENINGS

Staffers get a "Trip of a Lifetime" every five years at this maker of medical and surgical devices. Arthrex kicks in 40 extra hours of PTO and pays for an excursion to a destination of choice.

98 ACCENTURE

> NEW YORK CITY
> EMPLOYEES: 44,000
> 2,000 JOB OPENINGS

A "smart work" program allows employees who normally travel to client sites to work from home or at their local Accenture office for one or more weeks per month, with manager approval.

[NEW] 95 NATIONWIDE MUTUAL INSURANCE

> COLUMBUS, OHIO
> EMPLOYEES: 33,672
> 1,366 JOB OPENINGS

Employees of this insurer can take advantage of free credit counselors as well as talk to professional "life resource" coaches, who can help look for assisted-living arrangements for aging parents.

[NEW] 99 REGENERON PHARMACEUTICALS

> TARRYTOWN, N.Y.
> EMPLOYEES: 3,000
> 360 JOB OPENINGS

Researchers at this biotech lab and drugmaker have discovered treatments for eye diseases and cancers. The stock climbed above $400 in 2014, and all employees are shareholders.

[NEW] 96 ACTIVISION BLIZZARD

> SANTA MONICA
> EMPLOYEES: 4,453
> 1,150 JOB OPENINGS

The 35-year-old videogame manufacturer gives employees service anniversary awards, which include classic game controllers themed according to years of employment.

[NEW] 100 PROTIVITI

> MENLO PARK, CALIF.
> EMPLOYEES: 1,703
> 540 JOB OPENINGS

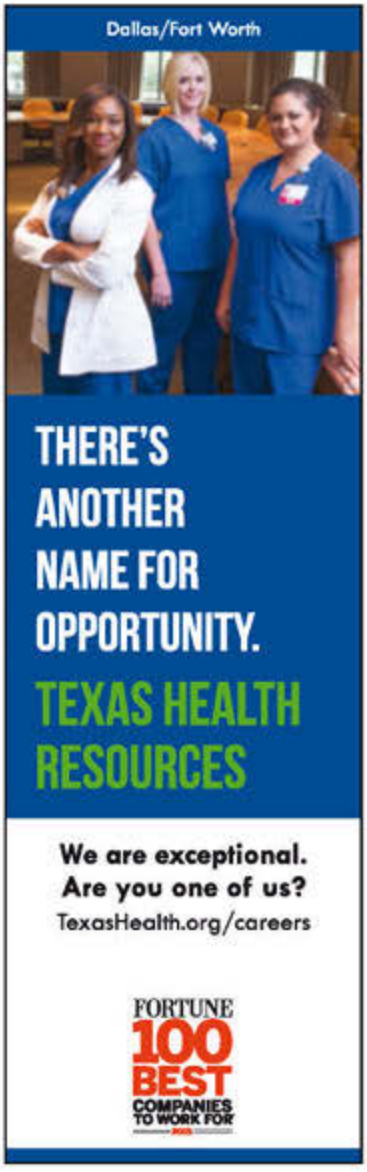
A culture of fairness and transparency is reinforced at this global consulting firm, whose intranet allows employees to post innovation ideas for all to see and lets peers "like" or comment.

PERK KEY — TUITION REIMBURSEMENT — ONSITE MEDICAL CENTER — PAID TIME OFF TO VOLUNTEER

COURTESY OF ADOBE

COMPANY SPOTLIGHT

TEXAS HEALTH RESOURCES: GOING THE EXTRA MILE IS ALL IN A DAY'S WORK



Jose Juan Guerrero-Hernandez, a nurse at **Texas Health** Harris Methodist Hospital Fort Worth, went far more than an extra mile to help one of his patients.

WHEN JOSE JUAN GUERRERO-Hernandez learned that the patient was being discharged from Texas Health Fort Worth and had no transportation home, he grew concerned. The man was a Spanish-only speaker recovering from hand surgery and lived more than 100 miles away. Guerrero-Hernandez not only drove him home but also provided dinner, stopped at the pharmacy to fill prescriptions, and made a trip to the grocery store to stock the patient's refrigerator.

Barclay Berdan, CEO of Texas Health Resources, a faith-based nonprofit health care organization, says the compassion displayed by Guerrero-Hernandez is just one example of The THR Promise℠—the core values that the group's 20,000 employees are asked to embrace. "These values include respect, integrity, compassion, and excellence for every member of the Texas Health family, our patients, and our community," he says.

Employees have come to view The THR Promise℠ as more than a slogan or motto, explains Michelle Kirby, senior vice president and chief people officer: "It extends from the physicians on the medical staff and nurses who give competent and compassionate care, to the cleaning crews whose efforts reduce the risk of hospital-acquired infections, to the chefs in our cafeterias."

Perhaps as a result of this value system, Texas Health achieves high employee satisfaction; health care consultant Press Ganey ranked the organization in the top 10% of companies surveyed for employee engagement.

One of the driving forces behind this engagement is Texas Health's Applause! program, an online management and peer-to-peer recognition initiative. Here, going the extra mile for patients can earn rewards, such as gift cards, for the engaged worker.

The extensive Be Healthy workplace wellness program is another engagement incentive, offering employees $225 annually to participate in a range of fitness programs, tobacco cessation programs, health fairs, maternity support, lifestyle coaching, nutrition classes and more.

"Our culture upholds an inclusive, supportive, people-first, and excellence-driven workplace," says Berdan. "Living these values and embracing our culture and The THR Promise℠ every day are truly what makes Texas Health Resources a great place to work." ●

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ENERGY'S WILD RIDE





The sector has seen a lot of ups and downs over the last few months. Oil prices will eventually settle, but the industry may be changed forever. ››››

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ILLUSTRATION BY ANASTASIA VASILAKIS

ENERGY COMPANIES in the U.S. have had quite a ride over the last five years. For the most part, the sector has been spoiled, as free-flowing shale oil and gas have given these operations more product than they know what to do with. Between 2009 and 2014, domestic oil production grew by about 63%. As supply has increased, so did oil prices: Between Jan. 1, 2009 and June 23, 2014—oil's most recent peak—the price of a barrel of oil jumped by more than 171%.

Over the last several months, though, the good times have come to an end. The price per barrel for West Texas Intermediate crude is now hovering around $50, and it's anyone's guess as to when the price will start to rise. The reason for the drop? Simple economics. "The market is just oversupplied," says Rick Allen, director of oil and gas consulting services with Bentek Energy, an analytics and forecasting unit of Platts, a leading global provider of energy and commodities information. "We've had growing supply exceed demand growth."

A year ago, several forecasting agencies predicted global demand to grow by between 1 million and 1.5 million barrels a day, but actual growth has been closer to 800,000 barrels a day, says Allen. Supply, though, has gone through the roof—in 2014 U.S. crude production alone grew by 1.2 million barrels of oil a day.

Due to this supply and demand imbalance, oil is at its lowest price in six years. Naturally, the dramatic drop has wreaked havoc on companies in the sector. Challenger, Gray, & Christmas, a Chicago-based executive outplacement firm, attributes about 21,000 layoffs to falling oil prices, compared to about 14,000 for all of 2014.



Lower prices can't stop growth: Oil and gas production throughout the country continues to increase.

Not every business is panicking, though. Many operations had thought that $100-plus oil was unsustainable, and made strategic moves to lesson the pain of a drop well before prices actually fell. Others are in shale plays where it's possible to produce a barrel of oil inexpensively and below the current price of the commodity. Still other energy companies have no exposure to oil at all; utility players, for instance, reduced their dependence on Texas Tea long ago, and now use cheap natural gas and renewable sources to fuel their customers' homes.

CAREFUL WITH CASH

The companies that will weather the volatility best are those with prudent cash-flow management, access to good reserves, and—perhaps most importantly—little debt. "Producers that depend on debt markets and short-term funding may be challenged," says Allen. "They'll get the double whammy of higher interest rates and adverse consequences of lower cash flow."

Crude Energy, a Dallas-based oil and gas exploration company, is one business that is expecting to ride out the storm. It has no debt,

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CRUDE ENERGY

Investors looking for opportunities in the oil industry may want to consider buying a piece of an actual well.

Smart investors buy when prices are down, and West Texas Intermediate crude prices have fallen about 52% since July. With prices so beaten down at the moment, now could be just the time to make a move.

As luck would have it, energy investors don't need to expose themselves to the vagaries of the equity markets. Instead of buying stock, they can consider purchasing a piece of an oil and gas company's well itself.

One company that offers investors a chance to directly participate in the oil it produces is Crude Energy, a Dallas-based exploration company formed in 2008. The privately held company only deals with accredited investors—individuals who make at least $200,000 a year for two years, or have a net worth (excluding their primary residence) of at least $1 million.



An investment goes directly toward developing a well. Investors receive a share of whatever is produced and sold. "It's a way to get into the industry in a meaningful way," says Parker Hallam, Crude Energy's president. "If an investor buys a certain percentage of a well that hits, they are paid on a monthly basis proportional to what they invested."

Investors in Crude Energy get access to projects in the Wolfcamp shale formation, an oil-rich area in the Texas Permian Basin that is the No. 1 producing field in the U.S., where Crude Energy is participating in approximately 3,600 acres. It also costs less to drill there than in other areas, because of its geology: The Permian Basin is a deep, layered formation, with oil and gas in each layer.

There's another reason investors may be attracted to a company like Crude Energy: tax benefits. Investors can receive a deduction of between 65% and 80% that can be used to offset ordinary income or capital gains in the year they invest.

Hallam admits that it's a high-risk industry, which is why the company only deals with accredited investors and sends a detailed risk-factor memorandum to any potential investor. While Hallam can't say what kind of return people can expect, as it varies, he can say that there's no shortage of interested investors. While no one likes volatility, Hallam feels the energy sector's ups and downs are presenting new and different opportunities for savvy investors. "Instead of buying stock, which is really buying a piece of the whole company, our investors are putting money directly into the drilling of the well," he says. "It's just a smarter way to invest in the oil boom!"

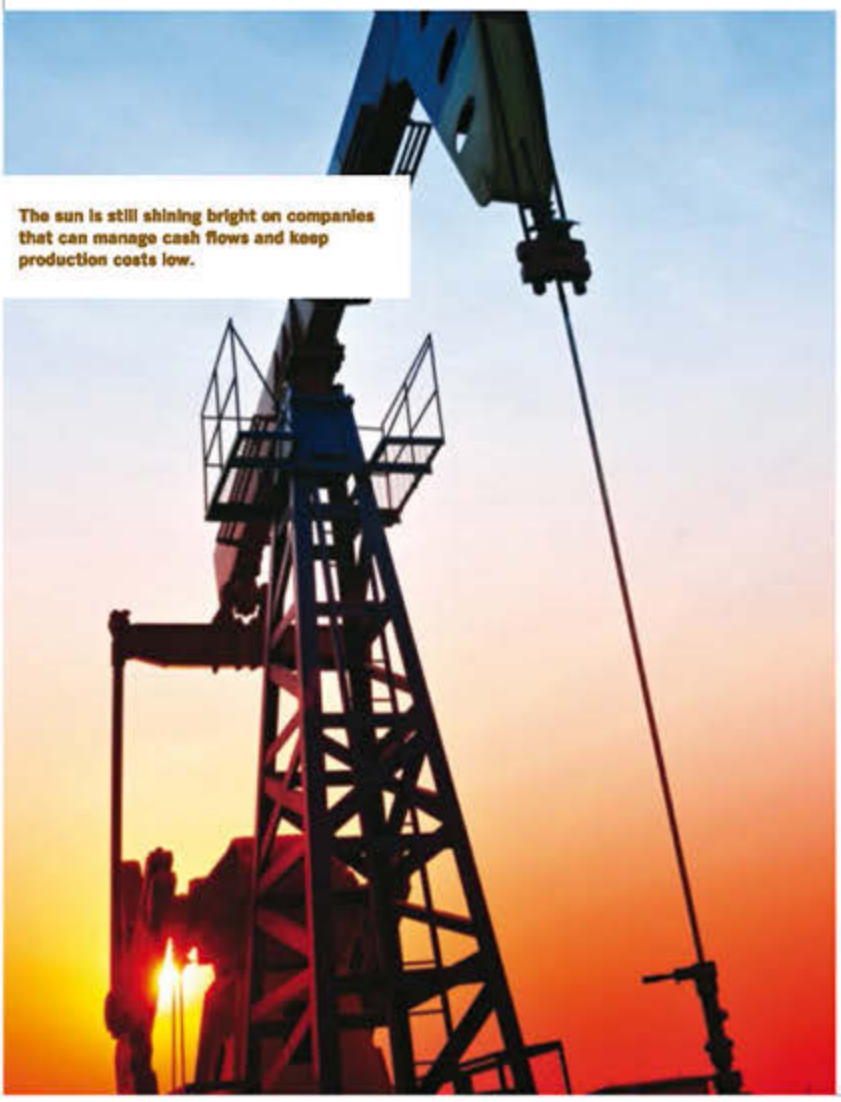
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"It's unlikely we'll see $100 barrel oil for some time, if ever. It's gone for now." — *Chris Faulkner, Breitling Energy President & CEO*

participates in approximately 3,600 acres of land in the oil- and gas-rich Wolfcamp region located in the Texas Permian Basin, and is able to produce a barrel of oil for less than what the commodity is selling for today.

Parker Hallam, Crude Energy's co-founder and president, expects to see some companies cease operation, while others—including his company, he says—will thrive. "It sounds cliché, but there will be winners and losers," he explains. "Luckily for us, the Permian Basin is one of the lowest-cost plays in America."

While it's business as usual for Crude Energy, Hallam does admit that he's had to take a close look at the company's future. He had to decide whether it's worth investing in higher-cost projects or just stick with the more solid lower-cost ones, and whether he should buy assets that may appear at reduced prices or exclusively invest in new projects. "This has sobered us up," he says. "And we like where we're at now."



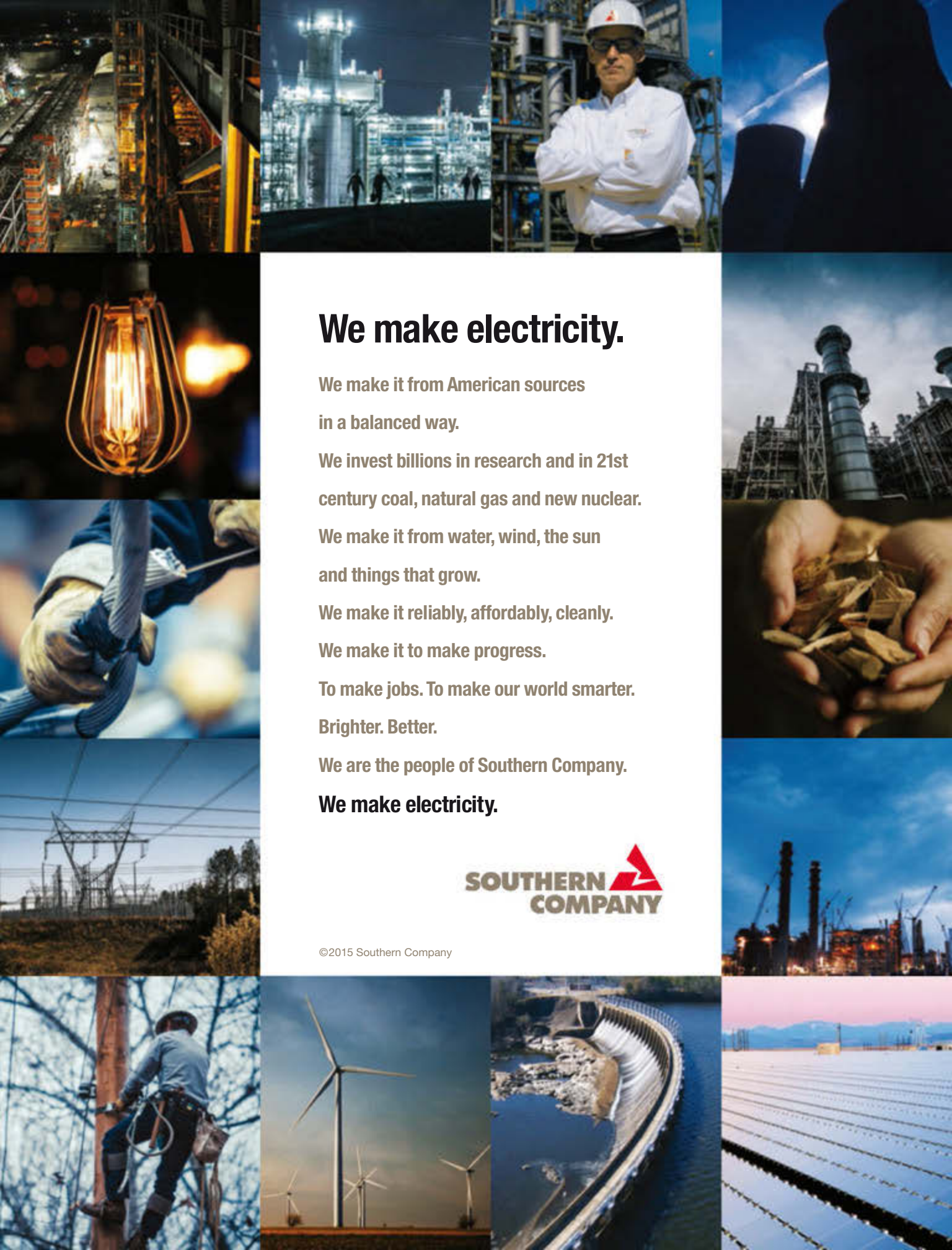
The sun is still shining bright on companies that can manage cash flows and keep production costs low.

SURVIVING THE DOWNTURN

For Chris Faulkner, president, CEO, and founder of Breitling Energy, another Dallas-based producer with wells in the Permian Basin and other areas, surviving the downturn means adapting to a new price regime. With the Organization of the Petroleum Exporting Countries (OPEC) deciding not to cut production—the primary factor in keeping oil prices low—it's unlikely we'll see $100 barrel oil for some time, if ever. "It's gone for now," says Faulkner about the triple-digit price. "We think it will be in the $60 range at the end of the year."

In a longer-term lower-price environment, it is the leveraged companies that are in the most trouble, says Faulkner, who adds that Breitling has no debt. He expects to see consolidation, bankruptcies, and job losses among the more indebted operations. He's not too concerned about his own business, though; his existing inventory of wells in the Permian Basin—a number that could reach 57 by 2019, he says—can be drilled inexpensively, and he's shifted his company's resources to focus more on the region.

As difficult as this price environment is for some operations, the industry as a whole isn't in as dire a predicament as it may seem. A recent study by Bentek Energy found that if energy production in the top six U.S. oil-producing basins was cut by 10%, production growth would still increase by 45% between now and 2019. If activity were slashed by 25%, then growth would be reduced by a further 25%. It's only if drilling was cut in half that production



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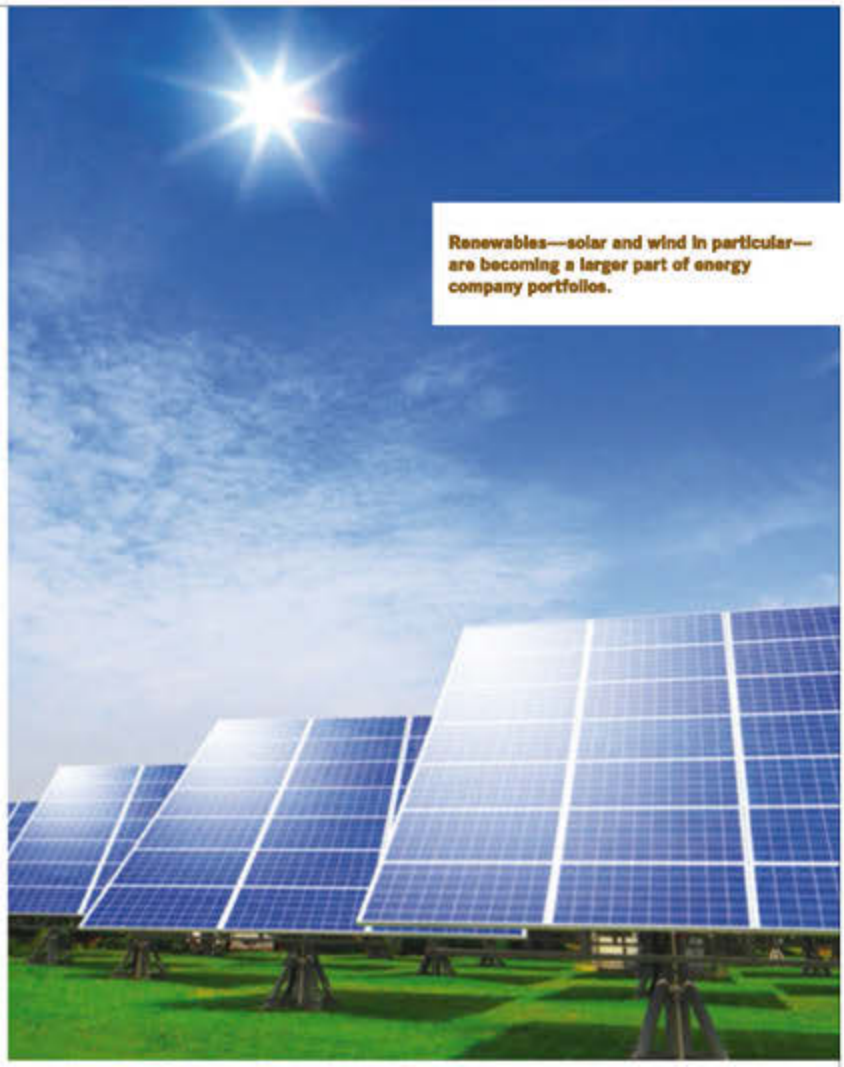
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growth would flatline. "Even with a significant cut in drilling activity, our forecasts for these areas continue to grow," says Allen.

One of the byproducts of oil volatility is an increased focus on other sources of energy. Natural gas, another shale commodity in abundance, is becoming a go-to input for utility companies. It's cheap, selling for about $2.80 per thousand cubic feet, and it's cleaner than coal. Between 2009 and 2014, power generation from natural gas grew by about 17%, and many experts feel the number will climb higher.

Utility companies also like using nuclear energy. It's one of the cleaner fuels on the market, and its price is much less volatile than the prices of other commodities. Then there are renewables, solar and wind in particular, both of which are becoming a larger part of energy company portfolios. According to the U.S. Energy Information Administration, utility-scale solar capacity will increase by 60% between the end of 2014 and the end of 2016. Wind capacity, which grew by 7.7% in 2014, is forecast to increase by 16.1% this year and by 6.5% in 2016.



Renewables—solar and wind in particular—are becoming a larger part of energy company portfolios.

TAKING A PORTFOLIO APPROACH

Most utility companies don't use oil anymore to generate electricity, but the rise and fall in prices—and commodity prices in general—have caused many operations to take a portfolio approach to power generation. To Southern Company, the Atlanta-based utility business that delivers electricity to more than 4.5 million Americans, and has about 46,000 megawatts of generating capacity, that portfolio approach is vital to its success.

Over the years, the company has shifted away from coal and more toward natural gas. It estimates that in 2015, gas will account for 44% of its electric power, up from 15% just a few years ago. Coal, meanwhile, is expected to account for 36%, down from 70%. The rest of its power will be generated by nuclear, coal, and renewables, such as solar.

Instead of generating electricity using just one fuel source, tapping into the full portfolio of energy resources allows customers to receive electricity at the cheapest price, says Thomas A. Fanning, Southern Company's chairman, president, and CEO. If gas prices rise, for instance, the utility can utilize other generation sources—and use less gas—to bring the cost of electricity down.

Southern Company's approach to energy is not unlike an investor's attitude toward stocks. "Investors need to look at the long term," says Fanning. "It's the same with utilities. We operate with 30-year planning horizons, and a balanced portfolio has always proven to be a winner for customers in the long run."

MORE HOME-BASED GENERATION

Companies may be planning for the future today, but the energy sector could look quite different 30 years from

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BREITLING ENERGY

With no debt and low-cost operations, the company is poised for growth despite the sharp drop in oil prices.

It may be hard to imagine it now, but last February the price of West Texas Intermediate crude topped $100 a barrel, where it stood until the end of July.

Breitling Energy, a Dallas-based oil and gas producer, felt early on that those prices weren't sustainable. U.S. supply was growing faster than demand, and fracking, a relatively new force, produced more domestic oil than anyone expected. Considering Europe's extended economic woes and China's slowing down in production, Breitling Energy's oil price forecasting models suspected crude would not be able to stay above $100 for long.

With this in mind, Chris Faulkner, Breitling Energy's Founder, president, and CEO, decided to diversify risk by selling shares of the company's wells. Before oil reached $85 a barrel, the company began shifting its development to focus on low-risk vertical oil wells in the Texas Permian Basin, where a substantial number of its operations will be located going forward.



The Permian Basin is layered like a cake, which means Breitling Energy can drill down and produce oil from one or more layers at the same time. "The wells we have now are encountering a substantial amount of productive oil-bearing zones," says Faulkner. The company also has operations in Kansas and Oklahoma, and owns interests in other major shale fields.

Faulkner is also working hard to see that profits are allocated wisely. While the company's drilling strategy hasn't changed for 2015, he is watching cash flow "at a more heightened level" and scrutinizing where funds are invested. With an eye on the future, Faulkner says he is using this current environment to make the company "lean and mean" for the future.

One thing Faulkner is particularly proud of is that Breitling Energy has no debt, which means it doesn't have to worry about repaying loans in this low-price environment. "If we had a billion-dollar debt payment to face, I'd be freaking out," Faulkner says. Instead, he intends to use Breitling Energy's capital strategy for future growth.

That includes taking advantage of opportunities when they arise. Breitling Energy holds some 3,600 acres in the Permian Basin, which it plans to develop over the next several years. Faulkner hopes that by 2019, the company could be operating as many as 57 wells in the area.

The company is also considering buying discounted assets because of the downturn. Breitling Energy has always been a conservative operation, but Faulkner feels it's a good time to use its resources to buy wells and land from struggling operations. "If we can buy distressed assets now, when oil rebounds, we'll be in an even better position," he says.

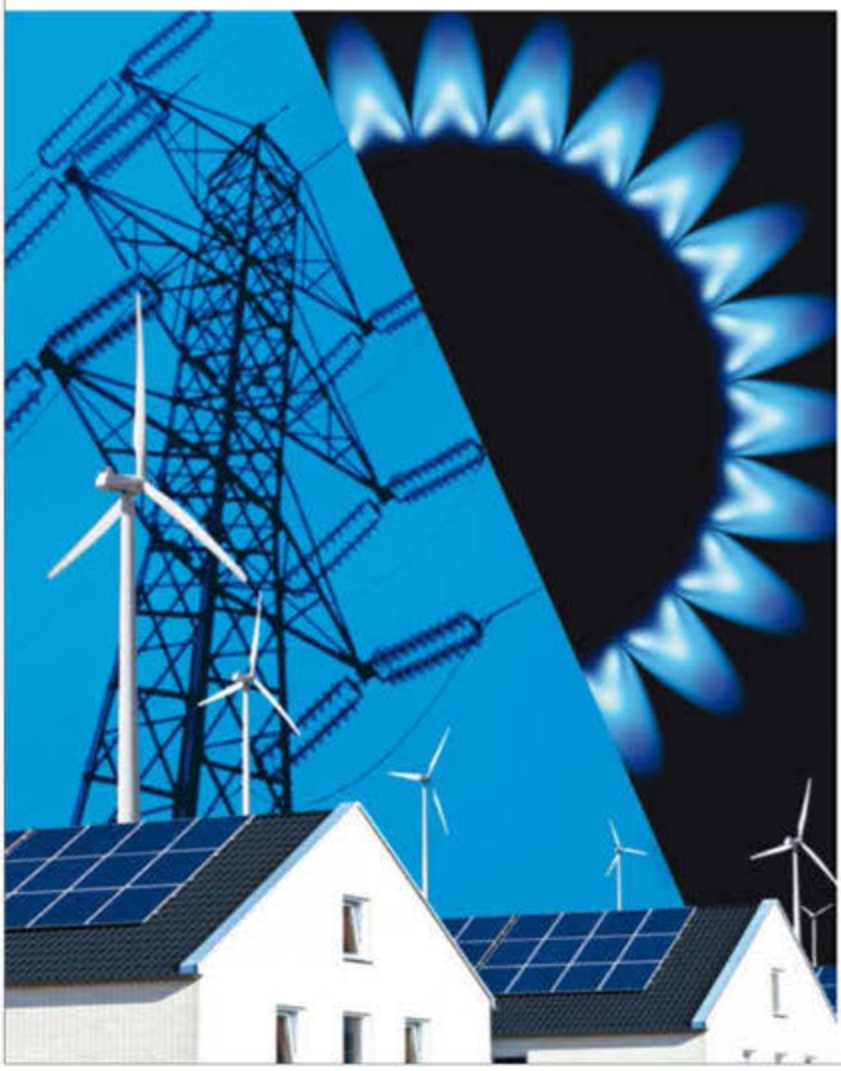
Thanks to prudent financial planning and a risk-averse approach, the company is in good shape. Faulkner thinks the floor has been reached and that the price of oil will rebound in 2015. Even if it stays low for longer, he believes Breitling Energy will be fine. "We can make money in this environment," he says. "There are a lot of opportunities."

"That's our vision—to provide customers with choice for how and where they generate their power." — *David Crane, NRG President & CEO*

now. Consumers have many more options around energy consumption than they used to. They can buy alternatives to gas-guzzling vehicles, such as electric cars. They can purchase thermostats that can be controlled via a mobile device, and they can even develop their own sources of electricity close to home.

Princeton, N.J.-based NRG is already preparing for this new reality. The energy company's facilities have capacity to deliver 53,000 megawatts to support 42 million homes, but it sees big opportunities in "distributed" generation, such as home-based power generation, which could involve solar panel installations on roofs, or companies powering an office with their preferred energy source. The University Medical Center of Princeton at Plainsboro, one of NRG's clients, generates its own power on-site. That allows it to own its own power, and it can operate completely off the energy grid if something goes awry.

Steve McBee, president and CEO of NRG Home, a division of NRG, says that his company "sees a future where, increasingly, power is generated at the source at which it's consumed." Doing that allows consumers more options and greater control, he says. It's also more energy-efficient and reliable, as homeowners and corporations don't have to worry about grid reliability or other utility system problems. "It's all about providing greater choice to individual consumers, and putting tools into the hands of our customers that allow them to generate, control, and share more of their own energy," says McBee.



It will take years before millions of consumers have rooftop solar panels on their homes and generators as backup, but NRG's customers are still getting the most options and lowest prices because NRG also takes a portfolio approach to power. Most of the company's electricity is generated from traditional fuel sources, such as natural gas and coal, but the mix of renewables is growing rapidly, says McBee.

Eventually, the sector will calm down and oil prices will return to more customary levels, according to Bentek Energy's analysis. Until then, everyone should be prepared for some more volatility. "This is a market at work, and a new optimal price for oil is being established," says Bentek's Allen. "It's too early to say where everything will settle, but we do expect the market to work this out." ●

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Mikael Ydholm, Ikea's head of research, poses behind a Krusning pendant lampshade. Opposite: Employees gather in the common area at the Ikea Democratic Design Center.

IT'S IKEA'S WORLD*

In a stunning global expansion, the Swedish home-furnishings giant has been quietly planting its blue and yellow flag in places you'd never expect. Pay attention, Wal-Mart: You could learn a few things.

BY BETH KOWITT

PHOTOGRAPHS BY ANDREW HETHERINGTON

It took some time to figure out just the right shopping complex, off just the right highway interchange and just the right distance from Seoul, that could accommodate a 624,000-square-foot store—that is to say, one more than three times the size of the average Wal-Mart Supercenter. It took more time to solve certain mysteries, like how big to make the store's children's section in a country where kids are often given ample space in the family living quarters. It took more time to figure out how to showcase kitchens that incorporate kimchi refrigerators, a uniquely Korean appliance—and even more time to untangle nuances of the market, like the South Korean's preference for metal chopsticks.

In all, it took about six years for


Det mesta är ännu ogjort.
Underbara framtid!
Most things still remain to be done.
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*WE JUST LIVE IN IT

Ikea to unveil its inaugural store in South Korea, in Gwangmyeong, starting from the first scouting trip. Ikea celebrated the opening in December with a tree planting rather than ribbon cutting. (Chalk that up to Ikea tradition rather than to South Korean custom.)

The lag was quintessentially Ikean. "They are ferocious about not expanding too rapidly," says David Marcotte of consulting firm Kantar Retail. But six years? "The more global, the more complex it gets," replies Mikael Palmquist, the regional manager of retail for Asia Pacific. "We need to get these things right or we will never be taken seriously."

Even with all that careful planning, Ikea managed to get a few things wrong. It misjudged the number of parking spaces needed, and a seemingly benign map for sale upset some customers: The body of water east of Korea was labeled the Sea of Japan rather than the East Sea, as South Koreans prefer.

But the Koreans seem, for the most part, to have forgiven the Swedes. Today the Gwangmyeong store, which is the company's largest in the world by shopping area, is on track to become one of Ikea's top-performing outlets for 2015.

The success is hardly a fluke. Ikea, it seems, is a genius at selling Ikea—flat packing, transporting, and reassembling its quirky Swedish styling all across the planet. The furniture and furnishings brand is in more countries than Wal-Mart, Carrefour, and Toys "R" Us. China, where Ikea has eight of its 10 biggest stores, is the company's fastest-growing market. An outlet in Morocco is coming soon, and there are hints that Brazil may not be far off. Meanwhile, Ikea is going meatballs out in India, where it plans to invest about $2 billion over a decade to open 10 stores.

Getting it right in emerging markets like China and India, where Ikea is well-positioned to capitalize on a growing middle class, is a key factor in its goal of hitting €50 billion in sales by 2020. That's up from €28.7 billion in its fiscal 2014 ($39 billion based on the average exchange rate for Ikea's fiscal year) and almost double its 2005 sales level. Today the Ikea Group has 318 stores, not including the brand's some four dozen franchised locations; it's aiming for around 500 by 2020.

With €3.3 billion ($4.5 billion) in net income, up 31% in the past five years, the chain is more profitable than behemoths Target and Lowe's. And it has gotten that way by mastering one of the hardest challenges in the retail universe: selling high volumes of inventory at a consistently low price in vastly different marketplaces, languages, and cultures. Ikea is a model for retail regeneration—though, ahem, some assembly is required.

There are important lessons here for Wal-Mart, which has sometimes struggled overseas, and for Target, featured in *Fortune*'s March 1 issue, which recently decided to pull out of Canada after a disastrous expansion.

The Ikea model is based on volume—producing a lot of the same stuff over and over, which helps it secure a low price from suppliers and in turn charge a low price to customers. One Billy bookcase, an Ikea classic, is sold every 10 seconds. More stores mean more volume and the chance to drop prices even more, which Ikea did by an average of 1% last year.

For the company, this isn't just a business model, apparently. It's a mission: helping "the many people" and those with "thin wallets," which is a mantra spoken by company employees everywhere from Croatia to Qatar. "We're guided by a vision to create a better everyday life for the many people. That is what steers us, motivates us—that is our role," says Ikea Group CEO Peter Agnefjäll, a 20-year company veteran, who took the helm in 2013. "We feel almost obliged to grow."

Obligation or not, Ikea used to be pretty lousy at expansion. When the company first went into the U.S. market in 1985, it forgot it was a retailer. Instead it behaved like an exporter, taking beds and cabinets measured in centimeters and plopping them down in its first U.S. store near Philadelphia. Even sales successes happened for the wrong reasons: Americans bought an inordinate amount of Ikea vases … using them as water glasses. The European-size ones were too small to satiate Americans' preference for ice. "We thought everything was going to be easy, and it was hell," says Steen Kanter, a former executive who now runs Kanter International, a retail and brand consultancy.

In 1992 the board met to consider pulling out of the market, according to the *New York Times*. But instead the company decided to do something it had never really done: study the market intensely.

Today research is at the heart of Ikea's expansion. "The more far away we go from our culture, the more we need to understand, learn, and adapt," says Mikael Ydholm, who heads research. Rather than focus on differences between cultures, it's his job to figure out where they intersect.

The company, for example, did a study of 8,292

"I hate air," says Allan Dickner (top left), Ikea's deputy manager of packaging, who has made creative ways of flat packing furniture his life's calling. Top right: a photographer works on the 2016 catalogue. Bottom: Sibling design team Knut and Marianne Hagberg reinvent the director's chair.

"THE BEST THING FOR MAKING YOUR HOME MORE BEAUTIFUL IS TO TAKE AWAY UGLY THINGS," SAYS IKEA'S LIGHTING MANAGER.







people in eight cities, examining morning routines. People are the fastest out the door in Shanghai (56 minutes) and the slowest in Mumbai (2 hours, 24 minutes), where they're also the kings of the snooze (58% hit the button at least once). New Yorkers and Stockholmers are the most likely to work in their bathrooms (16%). But regardless of city, women spend more time than men picking out their outfit for the day, a process many find stressful.

With this data in hand, Ikea came up with a freestanding mirror that has a rack on the back for hanging clothes and jewelry. The Knapper, as it's called, is intended to help customers assemble an outfit—clothes and accessories—the night before to cut down on morning panic. Other research showed that as more of the world's population moves into cities (with smaller living spaces), Ikea could serve customers by creating multifunctional products. The company, for instance, is about to roll out lamps and bedside tables with built-in wireless charging for mobile devices. "The best thing for making your home more beautiful is to take away ugly things," says Jeanette Skjelmose, who's the business manager of lighting. "Cables are normally not that beautiful."

Even surveying 8,292 people doesn't always get you the right answer. The problem is that people lie. Ydholm puts it more delicately. "Sometimes we are not aware about how we behave," he says, "and therefore we can say things that maybe are not the reality. Or it could be that we consciously or unconsciously express something because we want to stand out as a better person. That's very human to do it like that."

One way Ikea researchers get around this is by taking a firsthand look themselves. The company frequently does home visits and—in a practice that blends research with reality TV—will even send an anthropologist to live in a volunteer's abode. Ikea recently put up cameras in people's homes in Stockholm, Milan, New York, and Shenzhen, China, to better understand how people use their sofas. What did they learn? "They do all kinds of things except sitting and watching TV," Ydholm says. The Ikea sleuths found that in Shenzhen, most of the subjects sat on the floor using the sofas as a backrest. "I can tell you seriously we for sure have not designed our sofas according to people sitting on the floor and using a sofa like that," says Ydholm.

The aim of gaining all this cultural knowledge is not to tweak the products for each market. The Ikea model, remember, is volume, volume, volume: It needs vast economies of scale to keep costs low, and that means creating one-size-fits-all solutions as often as possible. Rather, Ikea has gotten awfully good at showing how the same product can mesh with different regional habitats.

Witness the full-size sample rooms that Ikea sets up in stores and where customers will sometimes be caught napping. The rooms play an essential, if secret role, showing consumers how to fit Ikea pieces into their lives. Displays in Sendai, Japan, and Amsterdam could feature the same beds and cabinets, for example. But the Japanese version might incorporate tatami mats, and the Dutch room will have slanted ceilings, reflecting the local architecture. Beds in the U.S., meanwhile are covered with pillows.

Ikea's catalogues serve a similar purpose as the sample rooms—and, again, the company has invested in the strategy in a comprehensive way. Catalogues come in 32 languages and 67 versions, with each reflecting local customers and customs. There are two catalogues for Belgians: one in French, another in Flemish. Ikea customers in Winnipeg and Calgary typically see a different version from their Francophone countrymen in Montreal.

Ikea printed 217 million copies of its most recent annual tome—which the company claims is the biggest run of any publication of its kind in the world—producing them in a studio in Älmhult, Sweden. For every room setup, there is an Ikea employee standing by responsible for tracking any element that needs to be switched out—making sure that glass products produced in mainland China don't show up in Taiwan's catalogue and removing Persian rugs from the one that gets mailed to Israelis.

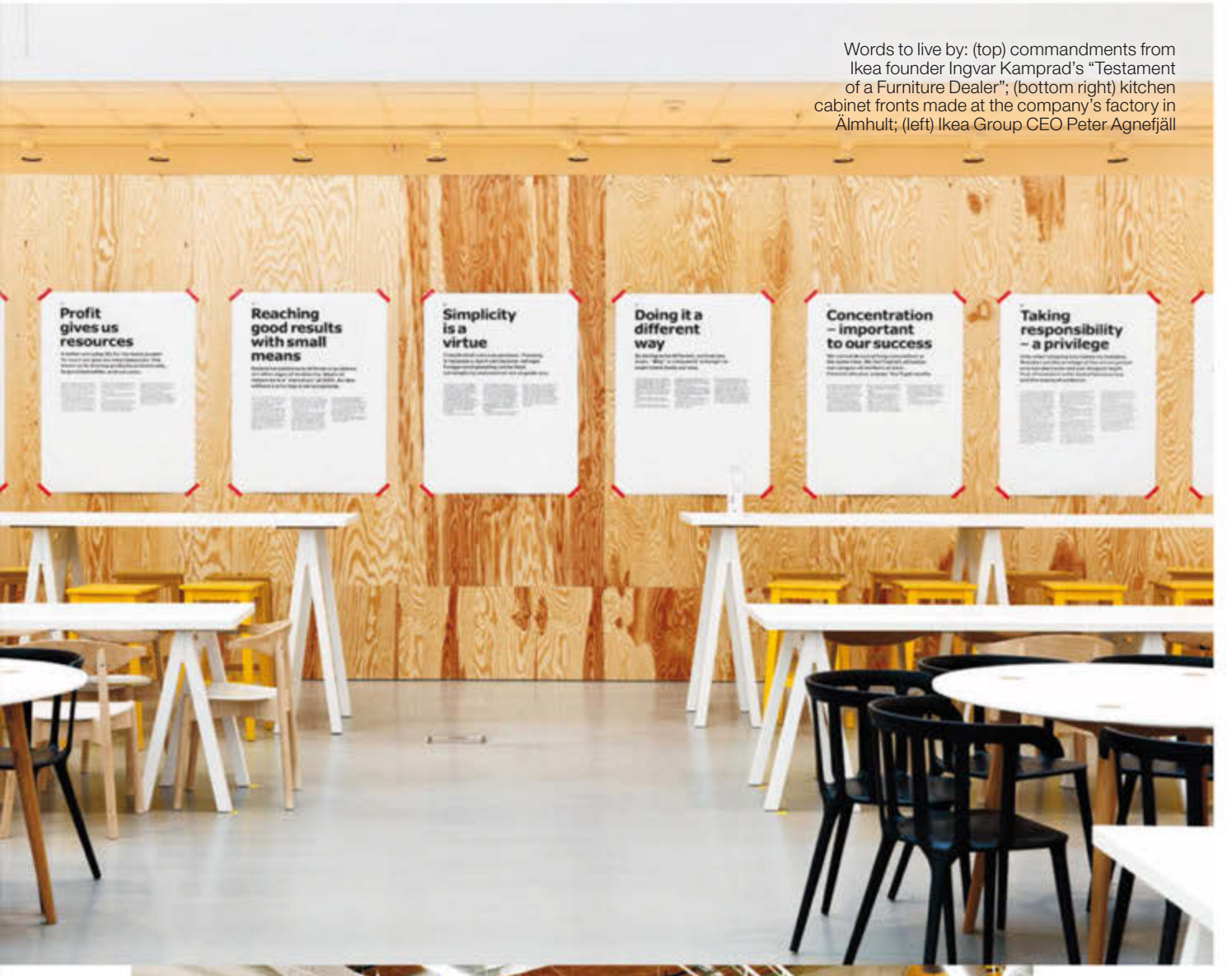


Ikea has not always gotten these local nuances right. The company came under fire for Photoshopping women out of its catalogue in Saudi Arabia and for removing a lesbian couple from its magazine in Russia. "We have done mistakes," acknowledges Kajsa Orvarson, communications officer at Ikea Communications, the home of the catalogue, "but we are becoming more and more aware of how to improve and to share our values."



Another critical challenge for Ikea is setting prices. Part of the brand's allure is that customers know they can buy some products ridiculously cheap. Ikea has a term for them—"breath-taking items," or BTIs—and they are very much a part of the business model, creating a price halo for the whole store. But a price tag that takes a customer's breath away in the Wembley store, in northwest London,

Words to live by: (top) commandments from Ikea founder Ingvar Kamprad's "Testament of a Furniture Dealer"; (bottom right) kitchen cabinet fronts made at the company's factory in Älmhult; (left) Ikea Group CEO Peter Agnefjäll





AGNEFJÄLL PHOTOGRAPH BY MICHEL PORRO—GETTY IMAGES



IKEA'S FACTORY IN ÄLMHULT MAKES ABOUT 7 MILLION KITCHEN CABINET FRONTS A YEAR.

might be met with no more than a "meh" in China, where prices are generally so rock bottom that an Ikea soft ice cream cone sells for 1 renminbi, or 16¢. (Ikea got its prices in Chinese stores down by manufacturing some 80% of the goods it sells there domestically, cutting shipping costs.)

As Ikea expands into newer, less developed markets, it is likely to face a much tougher time finding BTIs. In Älmhult, design manager Marcus Engman walks by a display and points to a Knopparp sofa listed at an eye-popping €69 ($77). Though a remarkably good value in Sweden, it's still a lot of money for many in the world to spend. Finding a price point that will feel like a BTI in India too is essential if the company is ever to thrive there. Of course, if Ikea solves that puzzle, the benefits may well accrue beyond emerging markets. After all, says Engman, "what's a good price in India is an even better price in the U.S."

In the furniture world there's an oft-cited statistic that we have our sofas longer than our cars and change our dining room tables as frequently as our spouses. Furniture can be its own kind of ball and chain. It's passed down from generation to generation, or it's so expensive that people feel it's forever. From the get-go, Ikea shook up that paradigm. "It traumatized furniture retailing," says Martin Toogood, who has run several companies that have competed against Ikea over two decades.

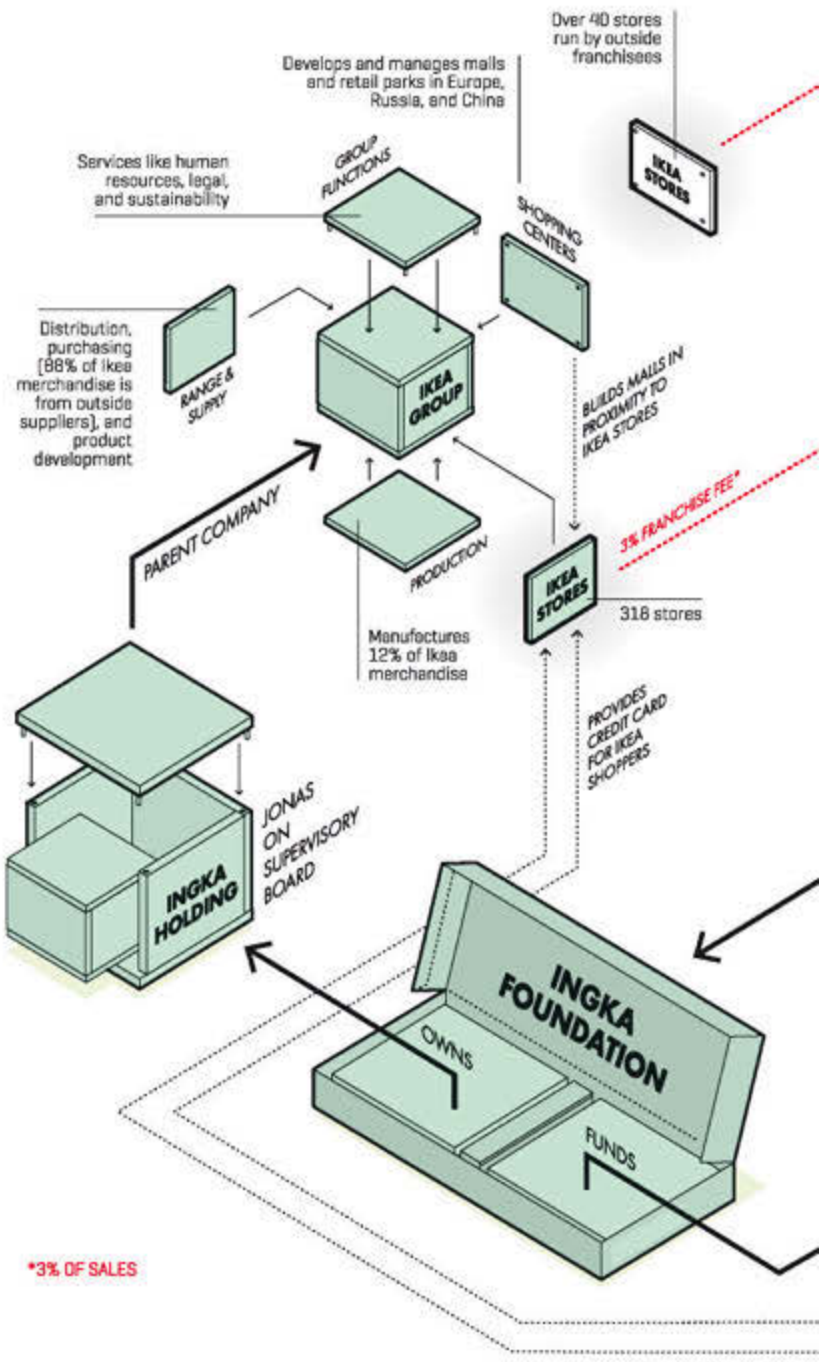
Ikea kept its prices down with an obsessive focus on costs. It might skip an extra coating of lacquer on the underside of a table that people never see or use. The company has also stripped out as much labor as possible from the system, pushing tasks that were once done by traditional retailers onto the customer. Flat packed furniture made it easier for customers to take purchases with them, cutting out the expense of stocking and delivery. (Ikea figured out flat packing in 1956, when a designer took the legs off a Lövet table to get it in his trunk.)

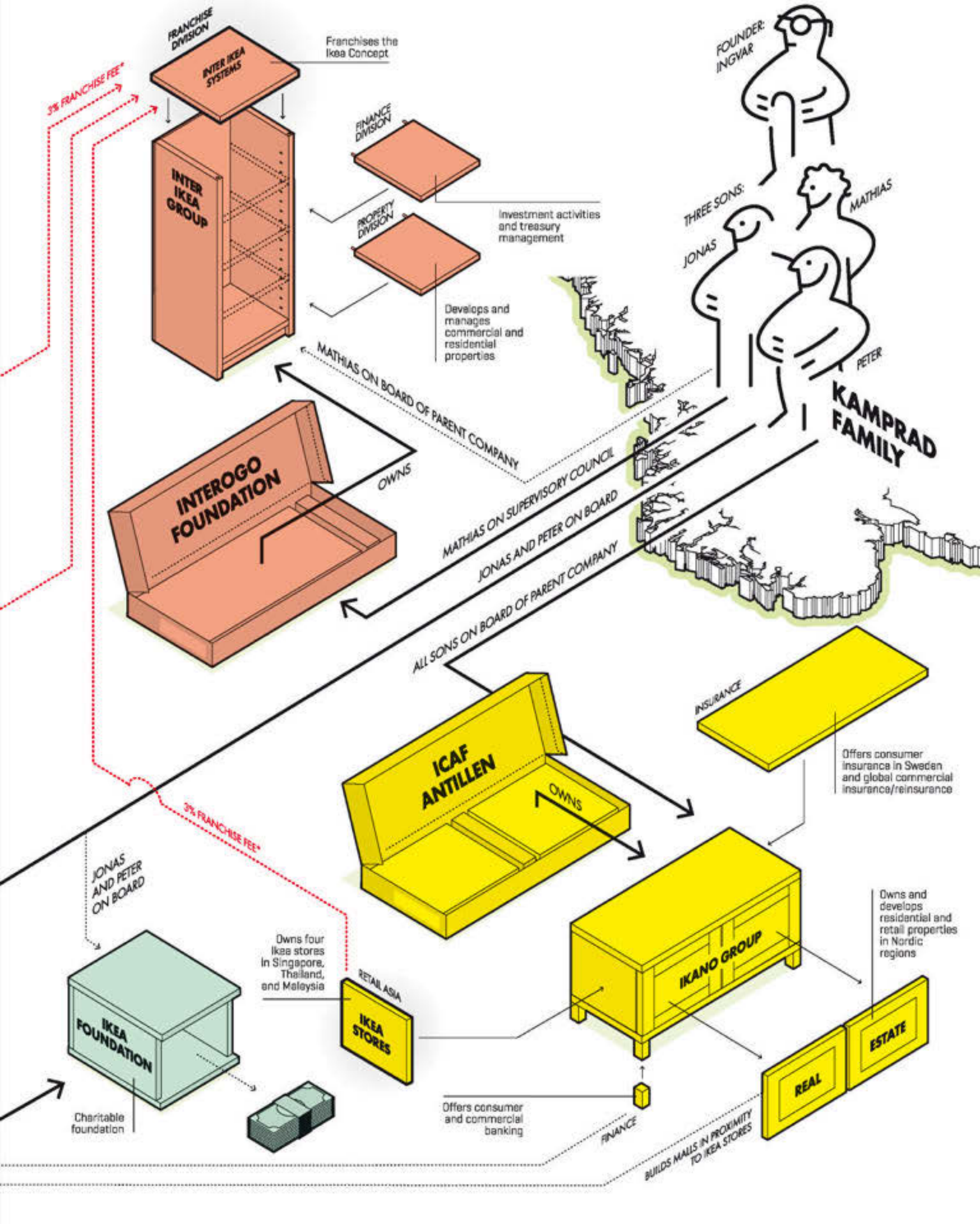
Two-thirds of Ikea's goods are made in Europe. Ikea factories account for 12% of total production; the company's 1,002 suppliers make the rest. (Unlike Target or Wal-Mart, Ikea sells only its own brand, with the exception of some food items.) Some 9,500 products comprise what Ikea calls the range, but in reality it's more like 50,000 because of variations in elements like plugs for different countries.

To pack it all up, the company uses 800 million square meters of cardboard every year. "I am not

ASSEMBLY REQUIRED

Every Ikea store, whether or not owned by the Kamprads or Ikea Group, pays a franchise fee (3% of sales) for use of the Ikea "Concept"—the trademarks, shopping experience, and values that define Ikea. Beyond unifying the global company, the franchise fee also results in tax savings twice: The fee lowers the stores' taxable income at home, and it's paid to Inter Ikea Systems in the Netherlands, where there's little or no tax on such income. Similar systems are common among many multinationals.




FRANCHISE DIVISION
INTER IKEA SYSTEMS
Franchises the Ikea Concept
3% FRANCHISE FEE*
INTER IKEA GROUP
FINANCE DIVISION
PROPERTY DIVISION
Investment activities and treasury management
Develops and manages commercial and residential properties
FOUNDER: INGVAR
THREE SONS:
JONAS
MATHIAS
PETER
KAMPRAD FAMILY
MATHIAS ON BOARD OF PARENT COMPANY
OWNS
INTEROGO FOUNDATION
MATHIAS ON SUPERVISORY COUNCIL
JONAS AND PETER ON BOARD
ALL SONS ON BOARD OF PARENT COMPANY
INSURANCE
ICAF ANTILLEN
OWNS
Offers consumer insurance in Sweden and global commercial insurance/reinsurance
3% FRANCHISE FEE*
JONAS AND PETER ON BOARD
IKANO GROUP
Owns and develops residential and retail properties in Nordic regions
Owns four Ikea stores in Singapore, Thailand, and Malaysia
RETAIL ASIA
IKEA STORES
IKEA FOUNDATION
Charitable foundation
Offers consumer and commercial banking
FINANCE
REAL ESTATE
BUILDS MALLS IN PROXIMITY TO IKEA STORES



THERE'S AN INTERNAL NICKNAME FOR PRODUCTS THAT TAKE TOO LONG TO ASSEMBLE: "SOMETIMES WE CALL IT A 'HUSBAND KILLER.'"

proud of it," says Allan Dickner, the deputy manager of packaging. "We try to minimize it."

He walks through the evolution of packaging a particular floor lamp. It started in a rectangular box wrapped in plastic with lots of wasted space inside. "Now comes the logistics wet dream," Dickner says as he shows the final result—L-shaped boxes that can be nestled against one another like puzzle pieces. In the early days designers resisted having their floor lamps cut in half for aesthetic reasons, but today not one comes in a single piece.

The magic of flat packing allows goods to be jammed into shipping containers without wasting any space. Wasted space means wasted money and is also environmentally unfriendly. "I hate air," says Dickner. In the beginning of the 2000s, the company did an internal air hunt competition. The winner, who received a two-week vacation to Thailand, came up with a better way of transporting tea lights. They had been packaged loosely in a bag, but a Dutchman had the idea of stacking them in rows and vacuum sealing them. The metal cups encasing the candles were redesigned to sit neatly on top of one another. "It was rocket science," Dickner marvels. Ikea then borrowed from another very Nordic industry in constructing a machine that could sort them. "We looked at how to pack fish sticks," he says.

But Dickner admits that sometimes Ikea has gone overboard with flat packing, putting too much of a burden on customers. To ensure it doesn't take three hours to put together a tiny inexpensive item, the instruction-manual team—which crafts some 1,400 assembly instructions a year, featuring a gender-neutral cartoon character called the "assembly figure"—is sometimes called on to give input that might impact the manufacturing process. New employees who aren't yet accustomed to the ways of the Allen wrench are brought in to do assembly tests. There's an internal nickname for products that take too long to put together. "Sometimes," Dickner says, "we call it a 'husband killer.'"

t may not be noticed by everyone, but in recent years Ikea has been killing far fewer husbands. The company has accomplished this modest feat in large part through improving its product design. As much as it has doubled down on market research and logistics, Ikea has been relentless in its focus on design.

Engman, Ikea's design manager, and his team come up with some 2,000 new products every year, including redesigns of existing items. Marianne and Knut Hagberg, a brother and sister design duo who have been with Ikea for 36 years, have redone one of their most successful products, a three-tiered mesh document tray, three times. "Everybody has it," says Marianne. Each redesign resulted in a different shape of the support holding the trays—a horseshoe, a triangle, and a rectangle. Knut jokes that soon they'll run out of shapes.

Products under development go through rapid prototyping in the pattern shop to provide a sense of what they will actually look like in the flesh—or at least in plastic. On a recent visit, one of the four 3-D printers was outputting a toilet brush. Apparently this is one of the more normal items. "We have a lot of strange things," says Henrik Holmberg, who manages the department. "That is very good that we can do it in our own shop rather than spreading the crazy ideas externally." One of the oddest things he's



At Ikea's distribution center in Älmhult, pallets are stacked and retrieved through a fully automated process. The center starts prepping in the spring for the launch of the catalogue in August.

INGVAR'S EMPIRE

Ikea's small-town Swedish founder created a corporate structure that's harder to figure out than the company's furniture instructions.

In 1943, at age 17, Ingvar Kamprad founded Ikea—"I" for Ingvar, "K" for Kamprad, "E" for the family farm Elmtaryd, and "A" for the village of Agunnaryd, Sweden, where he grew up. Early versions of the logo included an accent over the "E" to give the company an international flair—a hint of Kamprad's global ambitions.

More than 70 years later, Kamprad is still a mythical creature around Ikea, with much of the company culture spread through lore about the patriarch. Take the naming of products. The tale goes that Kamprad, who says he is partly dyslexic, christened various products—beds after places in Norway, fabrics and curtains after Scandinavian girls' names, flowers, or plants, and bookcases after certain professions—because names were easier to keep track of than numbers. "He loves to tell that story," says Juni Wannberg, who is a guide in the Ikea Museum in Älmhult.

The running narrative on Kamprad is that he is the bastion of frugality—reusing tea bags, flying economy, and driving an old Volvo—a trait that also permeates Ikea.

His past is not exactly squeaky-clean. In *Leading by Design*, a book on the history of Ikea written with Kamprad's cooperation, he says that his German grandmother "became a great admirer of Hitler," which he explains is why he attended meetings of the pro-fascist New Swedish Movement in his younger years. When his affiliation came out in the 1990s, he apologized, calling it his "greatest mistake."

"He has devoted his adult life to Ikea and its democratic ideals," the company says, but Kamprad's wealth has hardly suffered from the devotion. Estimates of his net worth range widely, from a low of $3.5 billion to some $42 billion. (Ikea contends the truth is closer to the former.) The confusion stems from the fact that Kamprad himself does not own either Ikea Group, which operates the stores, or Inter Ikea, which owns the Ikea brand (see chart). But the complex way Kamprad has structured Ikea and other entities, many of which are foundations, conceals who the financial beneficiaries are. (We tried to figure it out and couldn't.) Kamprad's three sons, who have never given interviews, are involved in running the family empire, which has its hands in projects as far and wide as real estate, a hotel chain, a bank, and credit cards.

Last year Kamprad, 88, returned to his hometown from Switzerland, where he'd been living for almost four decades. The company says that after his wife died, there was less keeping him there, but the move also happened to coincide with the relaxing of Swedish tax laws. The prior year, Kamprad stepped down from the board of Inter Ikea Holding, and his youngest son, Mathias, became chairman. But in Älmhult, Ingvar seems all but omnipresent.

ever worked on was a lamp made from the same material as egg cartons. "I thought that was very crazy," he says, "but we proved the technique was possible."

If air is the enemy in shipping, it is the ally in design. "The more air in our products, the better," says Engman, who started working at Ikea when he was a teenager, pushing trolleys. (His dad was an Ikea product developer and came up with the idea for the Klippan, a round, informal sofa, after seeing how his kids wore out the furniture.) In the design center, Engman points out a table under development that consists of two trays cobbled together. Its hollow center means the use of fewer materials. Its legs even attach without screws—part of a general move at Ikea to try to simplify assembly. Fittings can constitute about a third of a product's cost and are also a hassle for customers.

Ikea's designers look well beyond the furniture industry for expertise when it comes to trimming production costs. They've commissioned a shopping-cart manufacturer, for instance, to mass-produce a new table and a bucket maker to punch out a chair. As the price of wooden drums declines, Engman has considered using a drum supplier for round tables. The same goes for materials such as cork, which is in greater supply as wine bottles increasingly employ screw tops and plastic stoppers.

So, too, design inspiration comes from everywhere. Engman points out a folding table that he saw in bars and restaurants throughout China. "It costs near to nothing," he says. "It is the smartest table. It has the construction of an ironing board." He is also excited these days about acacia wood, which Ikea sources primarily from Southeast Asia. Normally used in outdoor furniture, acacia has the properties of teak but the price of pine. Its downside is it turns as it grows and does so even more when it dries, making it hard to glue together. (That's why particleboard became so popular in furniture; it's also cheap, and every piece is alike.) But Engman says his team had a "breakthrough" in working with and drying the wood.

Walking through the design center is a bit like seeing into the future. Some of the designers are already working on products for 2019. There's an electric bike on the horizon in some markets, as well as products that, Engman says, encourage social interaction and play. Socializing through devices like smartphones is eroding togetherness, he says, and that togetherness is an essential part of home life and therefore vital to Ikea.

Indeed, electronic technology is one area where Engman says Ikea won't go. "We weren't any good there," he says. Ikea's long-ago venture into televisions was one of the company's great failures. "We are world champions in making mistakes," adds Engman. "But we're really good at correcting them."

FEEDBACK *beth_kowitt@fortune.com*

COMPANY SPOTLIGHT

CAMDEN PROPERTY TRUST: A COMPANY BUILT ON VALUES

A "welcome home" attitude prevails—not only for renters of **Camden**'s apartments, but also for team members.

WHEN THEY FOUNDED CAMDEN more than 30 years ago, Ric Campo, CEO, and Keith Oden, president, had a shared vision. They were determined to build a financially viable company that was also a great place to work by empowering team members, rewarding success, and having fun.

Today this real estate investment trust manages 166 properties and nearly 58,000 apartment homes across the U.S.

Camden's 1,800-plus employees take true pride in their work, says Campo. "We provide homes to thousands of people where so many important memories are made—where holidays are celebrated and kids grow up," he explains. "It's really important that we take care of those homes—that they're safe and high-quality, and that the people who live there have great experiences. Our team members work together for a noble cause: to give people a place to call home."

Team members share the same commitment to providing outstanding service to our residents, adds Oden. Indeed, in a recent company survey, 95% responded that "taking everything into account, I would say this is a great place to work."

"To help define this commitment and share it throughout Camden, we rely on our nine values that guide our everyday decisions. And to make sure we stay focused on being a great workplace, 'have fun' has always been one of our values. On that same survey, 95% of the team agreed, 'This is a fun place to work,'" Oden says.

This approach helped Camden win a coveted spot on *Fortune*'s "Best Companies to Work For" list in 2015, marking its inclusion for the eighth consecutive year. ●

95%

of employees feel Camden is a fun place to work.

At **Camden** the motto is **"Living Excellence."**

96

–PERCENT–

of employees feel their facilities contribute to a good working environment.

SOURCE: 2014 Great Place to Work.® Trust Index® Employee Survey

HAVING FUN IS SERIOUS BUSINESS.







FORTUNE 100 BEST COMPANIES TO WORK FOR® 2015

Camden team members **love** what they do—whether it's **helping a family** find the perfect apartment home or **buying** our next $50 million real estate asset. Team members work **together** to achieve outstanding **results** and have **fun** while doing it. As one of the nation's most **successful** multi-family REITs, Camden's **commitment** to creating a fun culture produces **big returns**. Check out Camden's career opportunities at **www.camdenliving.com/careers**

NYSE CPT

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CAMDEN.
Living Excellence

Pre-Miller

1974

Miller dropped the "feminine" "L" and bulked up the words "A Fine Pilsner" to signal that it was a tasty beer—not a pallid, watered-down diet product.

1992

Bud Light's 1982 launch took share from what was then marketed as "Lite." To strengthen the brand the word "Miller" was eventually added to the can.



1998

The exterior changed to silver to align with a disastrous ad campaign named "Dick." The silver didn't last long, as it resembled the color of Coors Light.

2001

Miller switched to blue—only to see Bud Light choose the same color. The lettering was meant to communicate energy.

2014

Miller returns to a version of its original design, and sales tick up. The can, says Bruce Duckworth, who worked on the redesign, conveys "the quality of the beer."



REVERSING EVOLUTION

AFTER DECADES OF DECLINE, SALES OF **MILLER LITE** HAVE REBOUNDED. WHAT DOES IT TAKE TO REVIVE A TIRED ICON, A MASS-MARKET LOW-CALORIE BEER IN A TIME OF QUIRKY MICROBREWS? (HINT: LOOK AT THE CAN.)

BY JOHN KELL

IT AIN'T EASY

BEING THE FIRST SOMETIMES. Consider Miller Lite. It was a phenomenon, surging from its 1975 debut to annual sales that foamed above the 10-million-barrel level within a few short years. People loved the ads: retired jocks like Bubba Smith and Dick Butkus "arguing" in bars over whether the brew's chief appeal was that it "tastes great" or is "less filling." That juxtaposition was inscribed in the memories of an entire generation of TV watchers.

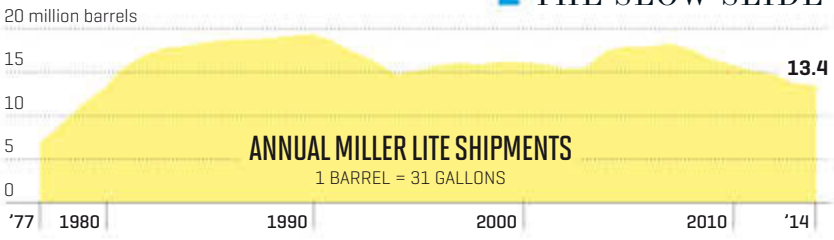
Lite accomplished what was then seen as an impossible feat—selling a diet beer to men—thereby creating a whole new category: reduced-calorie brews. That sort of epic success spawns imitators, needless to say, and soon Budweiser and Coors were selling their own Light lagers. Miller Lite's sales topped out at 19 million barrels in 1990, bumped up and down for a couple of decades, and eventually went flatter than a warm IPA. By 2008, after Miller Lite and Coors Light were gathered under the same corporate roof in the joint venture known as MillerCoors (which handles the U.S. markets of products from SABMiller and MolsonCoors), the original faced a new indignity: It wasn't even the top-selling light beer *at its own company.* Add the incursions by craft breweries, which made national brands seem hopelessly dull to many, and the return of hard liquor—beer dropped from 56% of alcohol consumed in 1999 to 48% in 2014—and it made for a depressing picture for mainstream giants like Miller Lite.

But a funny thing happened on the way to Lite's funeral. Just as the coffin was seemingly being lowered into the ground, a faint tapping was heard. The corpse is alive! After decades of stagnation and seven straight years of decline, Miller Lite is on the upswing: The company sold 43 million more cans of Lite in the second half of 2014 than it did in the equivalent period of 2013. Shipments have been steadily ticking up a few percentage points each week during that time, relative to their 52-week average, according to MillerCoors.

Six months is far from enough time to declare the fizz restored to the brand. But observers are positively bubbly. "The swing that Miller Lite has enjoyed the past two quarters is almost astounding," says Harry Schuhmacher, editor of *Beer Business Daily.* "It is like turning the *Titanic.* I think they finally cracked the code." If Miller Lite continues at this pace, he says, it will pass Budweiser and become the third-highest-selling beer in the U.S., after Bud Light and Coors Light.

So what was the brilliant insight that cracked the code? As we'll see, it was a seemingly modest change—and it happened more or less by accident. Still, the incipient comeback provides a window on the beer industry, where success hinges on a dichotomy reminiscent of the old Lite ads: *Great taste! No—great marketing!*

THE SLOW SLIDE





TOM LONG WOULD TELL YOU that both matter, of course. He's the CEO of MillerCoors, and he fiercely defends the quality of Miller Lite. But he's also clear about how integral the message is. "Beer brands are brands that you wear," Long says. "They make a statement about who you are." In short, it's a *meta*-business. A regular Bud drinker is ... a regular guy. A man with a Heineken may not *be* a suit, but there's a solid chance he's wearing one. (For more on what beer brands reflect about those who consume them, go to Fortune.com.)

In recent years, it was hard to say what a can of Lite said about the drinker—and that was a problem. Long, 56, a youthful, slow-talking North Carolinian, speaks

PREVIOUS SPREAD: COURTESY OF MILLERCOORS; GRAPHIC SOURCE: BEER MARKETER'S INSIGHTS



CEO Tom Long at the bar inside MillerCoors's Chicago headquarters

a lot about "authenticity." Though he won't come out and say it, it seems Lite no longer conveyed authenticity.

Long's team discovered that indirectly. Last year the company began offering beer in Lite's original can as a short-term promotion. Sales were so strong that MillerCoors quickly switched to white labels on all bottles, cans, and coasters, ditching the blue it had used for more than a decade. That was the breakthrough, and now the retro look is here to stay.

How is that more authentic? To understand, you need a bit of history.

MILLER LITE'S ROOTS LIE IN the 1960s, when something called Gablinger's Diet Beer made its debut. Americans were focusing more on their waistlines, but the male beer crowd shuddered at the notion of a diet. Gablinger's and others tanked.

Enter Miller. It acquired Gablinger's in the early 1970s—and then its marketing achieved the miraculous. Miller didn't change the beer so much as everything else. It eliminated what it considered a feminine typeface on the can and enlarged the words "A Fine Pilsner Beer" to suggest it was no watered-down formula. Then came the ad campaign, in which burly he-men joked and never uttered the word "diet." A category was born.

Then came competition, and Miller's marketing faltered. "Dick," a TV ad in the late 1990s, misguidedly focused on advertising rather than beer. Other spots emphasized sophomoric "bro-style" masculinity. The beer was rarely mentioned. Miller also repeatedly tinkered with packaging. Cans went from white to silver to blue, each time looking less distinctive.

The marketing couldn't solve a paradox facing the brand. Sure, craft brewers mocked the taste of Lite and its ilk, and clearly drinkers have become discerning. Yet the market was moving toward light varieties. Many microbrews are now making lower-alcohol, reduced-calorie brews. (They avoid the "light" taint by labeling them "session" beers—an industry term for somewhat reduced alcohol.) Three-quarters of the U.S. beer market qualifies as light or session, says Bart Watson, chief economist of the Brewers Association.

Long concedes that Miller's ad campaigns failed to defend its beer and essentially ceded the argument to the craft brewers. "We didn't talk about the ingredients, the process, and our heritage," Long says.

The new packaging has created the opening to do that. It's resonating with some customers you'd expect—men above 45 who remember Lite from their youths—but also some you wouldn't: millennials who, you'd think, would demand only obscure microbrews. Lite's market share has risen from 6.2% to 7.5% in one year among 21- to 27-year-olds who drink at least one beer a week, according to MillerCoors data.

There is opportunity for Miller Lite, says Bob Lachky, a marketing executive who spent 25 years working at Anheuser-Busch. "Coors Light is running out of energy," he says of the rival's marketing. "Bud Light is indecisive; they don't get it. Miller Lite invited the disenfranchised light-lager drinkers back to their franchise. Now they need to figure out a consistent message and talk about themselves. You just hope they can stay on that path."

Lite's latest TV ads are encouraging. "Miller Lite. We invented light beer and you," one proclaims. Another depicts a stream of hops cascading from a farmer's hands and a beermaker admiring a pilsner-filled glass, images more commonly seen in craft-beer ads. Does Lite taste good? That's up to you. But it sure *looks* good right now.

PHOTOGRAPH BY **SAVERIO TRUGLIA**



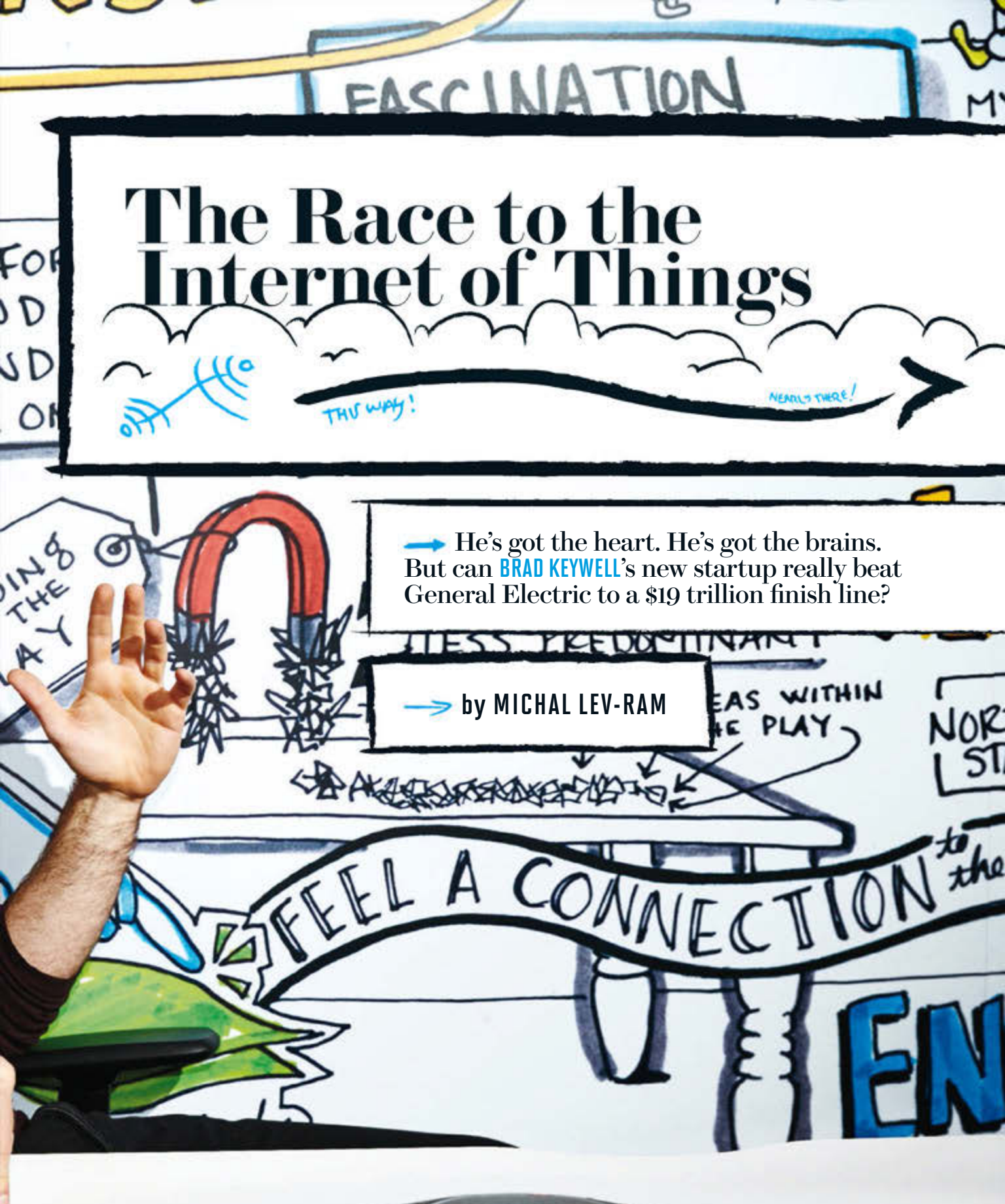
Brad Keywell, photographed in February at his Chicago office, has launched over a half-dozen companies.

PHOTOGRAPH BY **SAVERIO TRUGLIA**

The Race to the Internet of Things

He's got the heart. He's got the brains. But can BRAD KEYWELL's new startup really beat General Electric to a $19 trillion finish line?

by MICHAL LEV-RAM





RAD KEYWELL IS SHOWING ME around Chicago's Cabrini-Green, a failed public-housing project in the heart of the country's third-most-populous city. There's not much to see. The last of the high-rise buildings that once housed 15,000 poor and largely African-American residents on the Near North Side—mottling Chicago's skyline with a visual reminder of decades of botched integration efforts—were demolished back in 2011. Once a hotbed of gang activity, the neighborhood is now mostly uninhabited, and our Uber SUV is the only vehicle I can see for blocks. Keywell, a Chicagoan since 1994, asks our driver to hang a right, and we slowly cruise by a cluster of shuttered, three-story row houses. A light dusting of fresh snow covers the flat, dark-gray rooftops of the brick buildings; built in the 1940s, they are the only remnants of the once-notorious housing project.

The deserted January landscape is chilling enough from within the warm confines of our car, but for Keywell, a serial entrepreneur, Cabrini-Green is simmering with opportunity. "See that?" he asks excitedly, his large, pale-blue eyes gleaming as he points at a newish-looking suite of "mixed income" condominiums down the street. "That's just the beginning."

Fit, bald, and intense, Keywell has two seemingly opposing modes: borderline hyperactive and deeply reflective. He meditates daily (his guru is none other than alternative-medicine icon Deepak Chopra) and takes a biweekly, one-on-one philosophy class with a professor from nearby Loyola University Chicago. In his collarless long-sleeved shirt, jeans, and dark-blue knit cap, he looks as if he belongs onstage at a demo day in San Francisco's SOMA neighborhood.

And given the nine tech companies he's started since the mid-1990s, it's kind of a wonder he's not there. But then, nothing could be further from Keywell's plans. "Everyone asks why I didn't go to Silicon Valley," he says during one of several lengthy interviews. "I never really considered it."

Keywell, rather, is a Midwesterner to his core—and a believer, somewhere between altar boy and zealot, in the greatness of the Second City. Merely hint at the notion that the Bay Area has anything on his Great Lakes redoubt, and the fellow scoffs. When it comes to talent and ideas, he says, Chicago has what Palo Alto and San Jose have and then some—and Keywell and his partners at venture capital firm Lightbank have backed a dizzying array of companies in the Windy City to prove it. So far, about a third of the 91 startups Lightbank has invested in are based in or around Chicago. For the 45-year-old entrepreneur, it's a multimillion-dollar bet.

A few minutes after we roll by the Cabrini-Green row houses, we arrive

TOP CITIES FOR VENTURE CAPITAL

It may ink more deals than L.A., but the Windy City still ranks in 10th place when it comes to money raised.



GRAPHIC SOURCE: PEQUIN



at our destination: a 1.25-million-square-foot office building bordering the north branch of the Chicago River. Built in 1872, the construction once served as the main warehouse of now shuttered retailer Montgomery Ward. Today about 4,400 employees of Keywell's various ventures are headquartered here. There's Lightbank, the venture fund he started with his longtime investing partner, Eric Lefkofsky, and Echo Global Logistics, a provider of management software for the transportation industry. There's also the team that puts together Chicago Ideas Week, an annual festival that brings in thought leaders from around the world, and which last year attracted 32,000 visitors. And then, of course, there's the most famous of Keywell's creations: Groupon, the daily-deal site he launched with Lefkofsky and Andrew Mason in 2008.

It may not be the most famous for long.

What most people—many Chicagoans among them—don't know is that Keywell has a wildcard up his John Varvatos designer sleeve. It's a company called Uptake, and it's going after a market that Cisco CEO John Chambers projects will be a $19 trillion opportunity. To hear Keywell tell it, Uptake is going to dominate the Internet of things. In truth, the goal is so outlandish that some might think it laughable. First, tiny Uptake, which has a mere 100 employees and an undisclosed sum of financing, is going head-to-head against the most diversified industrial giant in the world—General Electric, the 27th-biggest company on the planet by revenue and a maker of everything from railway locomotives to mammography machines—which has already invested more than $1 billion in the effort. Second, though Keywell has proved that he can start companies, he's never demonstrated that he can run one. He's not Mark Zuckerberg, or Jeff Bezos, or Page and Brin.

Yet talk to one tech insider after the next, and nobody counts Brad Keywell out.

NOT SINCE THE TERMS "B2B" or "cloud computing" entered the business vernacular have so many companies been so excited about a tech meme. The Internet of things is one of those ethereal concepts that lend themselves to breathy superlatives and not quite imaginable numbers. Fifty billion devices will be connected by 2020, according to several estimates, sending untold terabytes of data about every aspect of operational efficiency to computers to be analyzed. The term is sprawling in its definition, encompassing everything from fitness-tracking wristbands to jet engines that transmit reams of real-time data with each revolution. It's this latter subset—which GE calls the industrial Internet—that offers the biggest pot of corporate gold.



Companies worldwide are expected to spend richly on such analytics, hoping to save even more in preempted maintenance problems and averted crises for their critical machines. "Eliminating unplanned downtime is the aspiration of the industrial Internet," says Keywell, who seems as if he, too, is a piece of high-energy equipment stuck in pitch mode. "The benefit is not tens of millions of dollars, it's hundreds of millions of dollars of increased revenue and profitability."

For the past year Uptake has been in super-stealth status, quietly building up an arsenal of algorithmic models that, unlike most analytics systems, do a lot of the pattern-seeking legwork in the data-storage level itself. Another critical piece of the platform, says Keywell, is the ability to push the "signals" found in the data to the right person in near real-time.

"We have slightly over 3 million machines running somewhere in the world every day," says Doug Oberhelman, CEO of Caterpillar, based in nearby Peoria, which is the first (and only) Uptake customer Keywell is willing to talk about. "What we don't have today is all of those [machines] hooked into a system that can predict failures." The two CEOs met a couple of years ago at a Chicago-area breakfast hosted by British Prime Minister David Cameron. They quickly hit it off and began exploring ways to partner on the new venture. (Apart from Caterpillar, the company's funding has come from Keywell's VC firm, Lightbank.)

For months engineers from both companies have worked side by side to develop software solutions for Caterpillar's mining and construction equipment. While Caterpillar takes anywhere from three to five years to develop new products—designing a bulldozer that operates in the Arctic and the Saudi Arabian desert is no small feat—Uptake's software updates are measured in days and weeks.

"The way I look at it, we do great things developing machines that push dirt and supply power and so on, and Brad's strength is around software and disruption," says Oberhelman. "Put these two together and I think there's really something there." And beyond the realm of earthmovers and hydraulic shovels, Keywell says he is already partnering with insurance, automotive, and health care companies.

The challenge—apart from the enormous technological one—is that, well, GE is already entrenched in many of those industries. And the powerhouse ($149 billion in revenue) is flexing all its financial muscle to make sure it dominates not just the hardware but the software services that its CEO, Jeff Immelt, believes will drive a much-needed wave of growth for the company.

A few years ago, amid a flatlining stock price, Immelt realized that GE's biggest threat came from software firms, not other manufacturers. The company that makes much of the world's heavy machinery had little access to the trove of information created by those machines, and was facing the risk of being upended by nimbler players that could jump in and sell their services to GE's customers.

Immelt's answer was to build out a massive software center about 30 miles east of San Francisco, in the bucolic suburban town of San Ramon. The company

BRAD'S MANTRAS

Over the years Keywell has sought inspiration from philosophers, gurus, real estate moguls, and NFL cornerbacks. Here, a few of his biggest influences.

KEY MOMENTS IN KEYWELL'S CAREER

A DECADE OF INVESTING IN CHICAGO

2004 — Co-founds **Echo Global Logistics,** provider of software for the transportation industry.

2007 — Launches **MediaBank** [now Mediaocean].

2008 — Co-founds **Groupon,** along with Lefkofsky and Andrew Mason.

2010 — Creates **Chicago Ideas Week,** an annual event that brings hundreds of thought leaders to Chicago.

2011 — Creates **Lightbank,** a venture capital firm that mostly invests Keywell's and Lefkofsky's money.

2012

"The most important job of an entrepreneur is to understand risk without any bias or emotion, and then make sure the opportunity you are pursuing, if successful, compensates you for the risk you are taking." —SAM ZELL

"BE IMPECCABLE WITH YOUR WORDS. WHETHER ON THE FOOTBALL FIELD OR IN LIFE, MAKE SURE EVERYTHING YOU DO REFLECTS ALL THAT YOU CAN DO. AND IN ALL ASPECTS OF YOUR LIFE, PLAY LIKE A CHAMPION." —Ronnie Lott

"THE BRAIN NEEDS A REGULAR REST, AND IN THAT REST, IN OTHER WORDS, MEDITATION, YOUR BODY WILL HEAL, YOUR THOUGHTS WILL BECOME CLEAR, AND YOU WILL UNDERSTAND YOUR TRUE PURPOSE." —Deepak Chopra



says it is now able to capture billions of data points from 10 million sensors installed on $1 trillion worth of equipment, and it has already notched more than $1.1 billion in annual revenue from the various software and data products developed there.

"Connecting machines is the topic du jour, and we get to do it on a scale no one else can touch," says Bill Ruh, head of GE's software center. GE has already enlisted an impressive lineup of customers, including United Airlines and BP. Last March the company announced an industrial Internet alliance that includes heavyweight partners like Intel, Cisco Systems, and AT&T. Intel, for example, will embed support for GE's platform—called Predix—on upcoming processors.

"It's not just about GE—this is about the extended enterprise," Immelt said at a company event last fall. "We're going to take the platform we've developed internally and open that up to non-GE customers and non-GE industries."

Such proclamations don't seem to faze Keywell much at all. Nor does it seem to lessen the confidence of other Chicago-area executives who know the man well. "If you look at what he's done, he's sequentially tackled bigger and bigger problems," says Laura Desmond, CEO of Starcom MediaVest Group, which was an early customer of another of Keywell's companies, Mediaocean. "He takes what he learns and applies it to the next big series of problems."

ALL VIA GETTY IMAGES: CHARLES SYKES, SCOTT ELLS, IMEH AKPANUDOSEN

2013

Helps form the **Illinois Innovation Council** and is the organization's chair.

Acquires Chicago's historic **Wrigley Building,** along with partners Lefkofsky and banker Byron Trott.

2014

Quietly launches **Uptake,** a platform for the industrial Internet.

Indeed, few who have worked with him doubt that Keywell will be able to take what he's learned from the enterprises he has co-founded and apply it to Uptake's business. He'll be smarter about the technology, savvier about the marketing, more sophisticated about the business model. The real question is whether he has learned enough from his own role, or lack of involvement, in this smorgasbord of startups—and if so, whether he can transform himself into an actual manager.

Though he and his investors have made hundreds of millions of dollars from his companies so far, Keywell hasn't stuck around at any of them for any length of time—at least not in a substantive management role. That approach isn't likely to work with the latest venture, given the soaring financial stakes of the market, the entrenched competition, and the buttoned-down corporate customers Uptake, GE, and others will be battling to land.

For now, Keywell seems to recognize that: "I would not be surprised if I'm involved in a leadership position for much longer than in some of my previous companies," he says. Lefkofsky, his longtime business partner, agrees. "Uptake is a huge idea," he says. "It plays in a much larger space and has a much bigger runway, which ultimately may keep him there longer."

Then again, when your self-diagnosed "sickness" in life is, as Keywell told an audience at Loyola Marymount University, the insatiable need to start new businesses, sticking with one project is easier said than done.

I FIRST MEET KEYWELL at a posh hotel restaurant near a quiet section of Chicago's famed Magnificent Mile. This is where he eats the same breakfast—granola with fruit and yogurt, plus plenty of coffee—almost every day, whether dining alone or with company.

Keywell was born not in Chicago but in a suburb





At the end of Groupon's first day of trading, the deal site was worth more than $23 billion. Three and a half years later, it's worth less than a quarter of that.

north of Detroit. His mother was a schoolteacher turned homemaker, and his father was a corporate lawyer. The young Keywell caught the entrepreneurial bug when he was just about 6 years old. He designed and sold greeting cards, charging friends and neighbors a buck apiece (the company's cutesy name: Key Creations). By the time he got to the University of Michigan, where he got his undergrad degree and later attended law school, he was selling guidebooks and posters at high margins. "I was hustling nonstop," he says.

Beyond his affinity for finding a need and filling it, he was a natural-born salesman—especially when it came to pitching himself. While still a freshman, he heard about an entrepreneurship class for graduate students and persuaded the professor to let him enroll. One day Chicago businessman Sam Zell came to speak to the class. Keywell used the opportunity to introduce himself.

"He was very aggressive, and very hyped up," recalls Zell, "and I was impressed." That initial conversation blossomed into a summer job at Zell's Chicago firm, Equity Group Investments, and a mentorship that has lasted well over two decades.

After graduation Keywell applied to law school, pressured by both his father and Zell. On the first day of classes he took a seat, looked down the row, and saw Lefkofsky. The two had grown up in the Detroit suburbs and had lived in competing fraternities during college. But it wasn't until law school that they discovered they had a shared goal: Neither wanted to become a lawyer.

Despite the primordial urge to build a business, Keywell took a job with Zell's company after graduation in 1994. But soon after, his famously feisty mentor sat him down and told him he had to go. "I discouraged him from working here because I felt that this was a place that dealt with yesterday and today, and Brad is really focused on tomorrow," says Zell, sitting in an armchair in the sixth-floor downtown Chicago office where he has worked since 1983. Behind him, quietly pecking at the window, is a small Rouen duck, which has made the real estate mogul's office balcony his home for the past nine years.

After the friendly firing from Zell's company, Keywell and Lefkofsky, both 24 at the time, decided to take their first real leap of faith. Each saved and borrowed about $500,000, and together they bought into a children's athletic-apparel business in Wisconsin.

The two entrepreneurs quickly realized they had to offshore 400 jobs, which did not go over well. They were also overleveraged. Eventually they closed down the plant and bailed out of the company, hightailing it back to Chicago. "It's an example of a couple of guys with a lot of energy picking a shitty idea and trying to make it into something that it wasn't," says Zell. "But what is an entrepreneur? An entrepreneur is someone who sticks his neck out."

Keywell and Lefkofsky tried again. In 1998 they launched Starbelly, an online purveyor of T-shirts and coffee mugs. Just two years later Ha-Lo Industries, a 50-year-old promotional-products company, bought Starbelly for $240 million. The entrepreneurial duo went to work for their new corporate bosses. But only one year in, Starbelly's acquirer filed for bankruptcy. "It was my unhappiest time," Keywell says. "I wasn't creating."

Two more companies, Echo and MediaBank (later Mediaocean) followed, but their biggest hit by far was Groupon. The site, which hawks deeply discounted (but quickly expiring) deals from local merchants online, did more to put Chicago on the startup grid than any other company (see map). In 2007, Andrew Mason, a 27-year-old web designer, pitched Keywell and Lefkofsky on the idea that eventually became Groupon. The two entrepreneurs decided not only to go into business with Mason, but also to put him at the helm of the newly formed company. All of a sudden, everyone seemed to be buying up Groupon's offers for deep-tissue massages and mixology classes, and the company quickly reached $1 billion in sales. The problem was, not everybody was using them

BRENDAN MCDERMID—CORBIS

COMPANY SPOTLIGHT

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Collaboration and robust employee development help global consulting firm **Protiviti** recruit the best and brightest in its industry.

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SOURCE: 2014 Great Place to Work.® Trust Index® Employee Survey

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PROTIVITI PRESIDENT and CEO Joseph Tarantino takes pride in the fact that his company's nearly 3,000 employees worldwide speak their minds. When their last internal survey showed that employees were unimpressed with the company's commitment to green initiatives, Tarantino listened. "They were telling us that we needed to be more sensitive to the environment," he explains.

Within weeks, Protiviti—a name blending the company's values, which include professionalism, productivity, creativity, and integrity—challenged employees to submit online their suggested acts of green behavior, such as riding a bike to work or replacing disposable plastic utensils with reusable ones. "We challenged our people to achieve 2,013 acts of green, and we got them," adds executive vice president of global human resources Scott Redfearn. "It turned into a competition, because everyone wanted to hear each other's ideas."

The firm replaced Styrofoam cups with ceramic mugs and saw employee groups volunteer to undertake environmental projects like beach and park cleanups. "We have a lot of millennial employees who connect through a shared sense of values," Tarantino says. "They want to feel that their employer's values align with their own."

Yet another example of the company's efforts to solicit input from employees: an internal knowledge management system that collects workers' ideas for innovation. "We notify employees when we receive their input, and we reward them when a recommendation is implemented," says Tarantino. "This way they can see a connection between their voice and what actually happens."

FORTUNE 100 BEST COMPANIES TO WORK FOR 2015

The company's community activities include a current commitment to provide 1 million meals to individuals and families in need by the end of 2015, working with such organizations as Stop Hunger Now and Meals on Wheels.

Says Tarantino: "These efforts are energizing for company leadership and our employees, because we're all working toward a common goal." ●

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before they expired, and the discounted services weren't translating to new, long-term customers for merchants.

Despite the red flags, suitors like Yahoo and Google came courting. In the fall of 2010, Google reportedly offered an unprecedented $5.75 billion to buy the company (Keywell won't confirm the number), which at the time was the biggest deal ever offered to an Internet startup. The owners chose to pass—much to the surprise of many in the web's chattering classes—and instead took the company public.

At the close of its first day of trading after its late-2011 IPO, Groupon was worth more than $23 billion. But as quickly as the public markets had crowned the fast-growing company the next darling, doubts over its business model crept in. After several quarters of missed expectations and a stock price that sank way below the company's offering price, Mason was fired. (The entrepreneur, who now runs a mobile audio-tour startup in San Francisco, did not respond to requests for an interview.)

In his place, Lefkofsky took over the company, whose market cap is now at $4.9 billion (less than Google's reported 2010 offer). Under Lefkofsky, the company has tweaked its business model and expanded internationally. While Groupon has yet to turn a profit, its 2014 revenue was up 24% year over year. Even before the IPO, Keywell cashed out more than $150 million worth of shares.

BACK IN DOWNTOWN CHICAGO in January, the entrepreneur is intently studying my face for signs of an opinion.

"What did you think?" he asks excitedly.

"It looked pretty similar to a Silicon Valley incubator," I reply.

Keywell can't help looking pleased. We have just exited 1871, a massive co-working space for startups in Chicago's Merchandise Mart, just a mile down the river from Keywell's offices. When it first opened in 1930, the Merchandise Mart was the largest building in the world, and today it still feels pretty big. A 50,000-square-foot space on the 12th floor of the building, 1871 houses more than 300 startups.

Named after the year of the famous Chicago fire, 1871 isn't one of Keywell's "babies" (it was backed by local financier J.B. Pritzker). But as with most of the area's efforts to transform into a center of innovation, Keywell is involved. He comes by often to speak to budding entrepreneurs, and his VC firm has donated to the space. In his mid-forties, he is already something of a legend here—at least by the league-table metrics of startups funded, IPOs notched, and dollars made.



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"We have slightly over 3 million machines running somewhere in the world every day. What we don't have today is all of those [machines] hooked into a system that can predict failures."
—CATERPILLAR CEO DOUG OBERHELMAN

"There's never been a time when I needed something for the city that he hasn't stepped forward," says Mayor Rahm Emanuel, Chicago's outspoken Democratic leader and a former U.S. representative and White House chief of staff. "We're very lucky to have Brad Keywell in our city." The sentiment is echoed, remarkably enough, by two other former White House chiefs of staff and well-known Chicagoans: Democrat Bill Daley, who served President Barack Obama, and Republican Sam Skinner, who served President George H.W. Bush. Says Daley: "The fact that Brad and Eric chose to be here and not in California or New York—that's a statement." Says Skinner: "Illinois has always been strong in technology, but it was known as a manufacturing center. Brad has the ability to challenge the thinking here. He wants to make a difference."

Those who know Keywell well believe that his biggest chance to do so is likely to come with Uptake. Sure, outracing the mighty GE—with a $1 billion headstart, no less—comes with some pretty long odds. But then, it's not as if we're saying the Cubs will win the World Series or anything.



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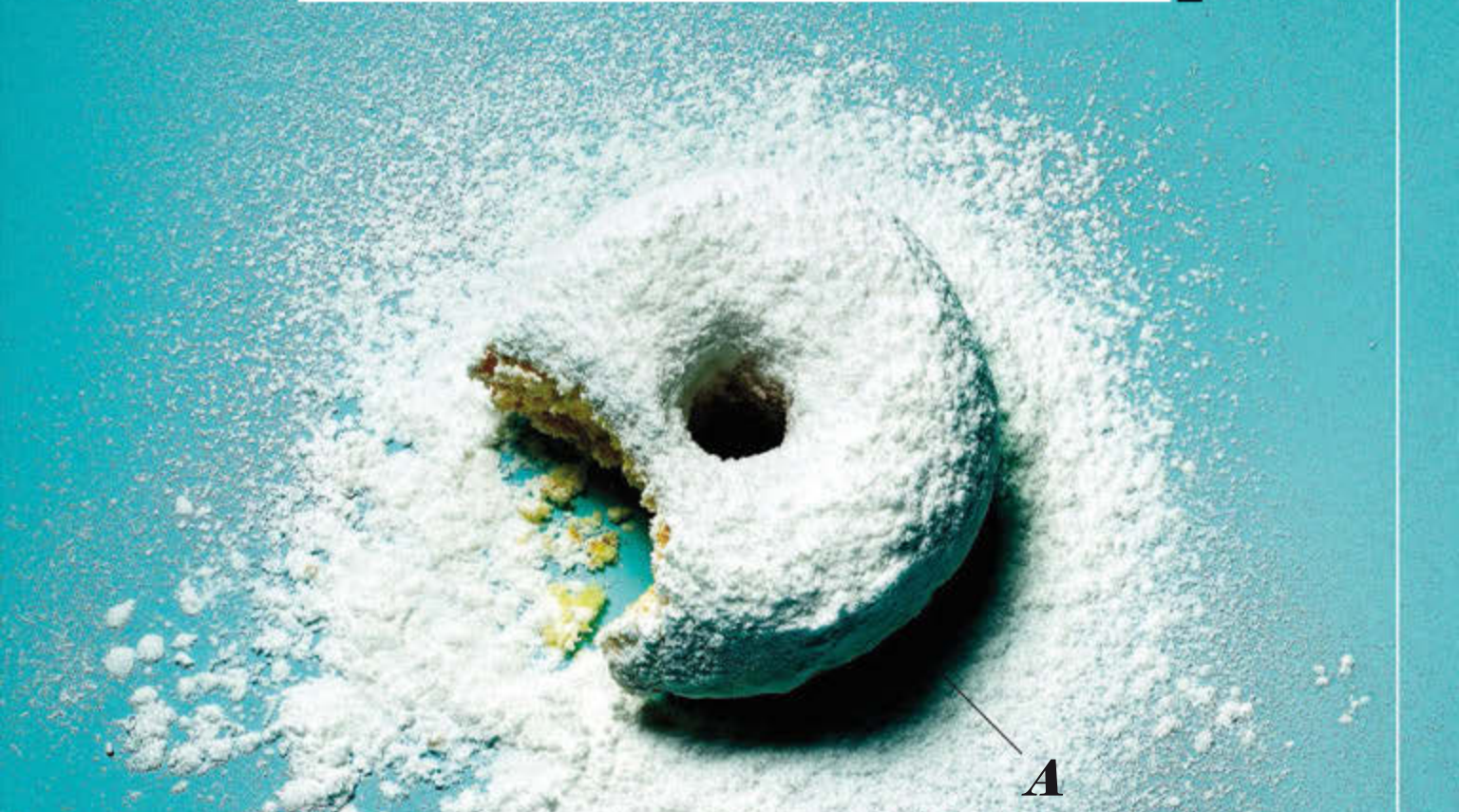
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THE GREAT BIG QUESTION



A. The concentration of nano titanium dioxide, a common whitener, is greater than 10% in certain powdered doughnuts, according to a 2012 study. The nanomaterial is widely used in candies, sweets, and chewing gum.

Nanoparticles touch nearly every *Fortune* 500 company and aspect of our lives. They're in everything from snack foods to clothing to sunscreen. There's just one problem: We know very little about what happens when they pile up in the environment—or inside us.

by RYAN BRADLEY

photographs by SAM KAPLAN



ABOUT REALLY TINY MATERIALS

B. Eight out of 10 of the leading beauty brands have been found to contain nanoparticles that act as "penetration enhancers."

A few years ago

Arturo Keller began spending an awful lot of time working with pigskin—spreading things on it, lighting it up, heating it, looking at it under a microscope. He had no broader porcine predilection. No reason to study the whole hog. But the skin of pigs held a particular appeal for him because of its similarity to human skin. (And for obvious reasons he can't work with that.) Assisted by his students, Keller, a chemist and environmental scientist at the University of California at Santa Barbara, spread a solution containing a material common in cosmetics, sunscreens, and lotions on the pigskins. The samples were then exposed to ultraviolet rays—some placed under a special lamp designed to replicate sunlight and others next to a window to soak up the real thing. Keller and his team were curious to see how the light would affect the solution's main ingredient: nano titanium dioxide.

Keller felt it was especially important to understand how the material would behave on skin. Titanium dioxide is chemically inert and has for decades entered humans, often during surgery and frequently as part of a joint replacement. But shrunk way, way down to nano size, titanium dioxide acts quite differently than it does under normal circumstances. In general, things get weird on the nanoscale, which is often not much more than a few atoms stuck together. If the width of a human hair were the size of the Empire State Building, a nanoparticle would be an ant. At that scant size, substances take on new properties.

Nano-size titanium dioxide, in particular, can sneak into parts of the body that most particles cannot—such as bone marrow, ovaries, lymph nodes, and nerves. It can also cross the blood-brain barrier or enter cells and destroy genetic material. The particles have been found to accumulate in the small intestine, particularly in areas used by our immune system. In 2010 a molecular biologist at UCLA's School of Public Health began lacing drinking water with nano titanium dioxide, gave it to mice, and quickly found it was wreaking havoc on the animals' chromosomes and DNA, which can lead to increased rates of cancer, as well as heart and neurological diseases. The International Agency for Research on Cancer (part of the World Health Organization) has linked nano titanium dioxide in powder form to cancers, especially when inhaled.

The substance is commonly added to products we use everyday. The Environmental Working Group, a research organization based in Washington, D.C., estimates that nano titanium dioxide is in about 10,000 over-the-counter products, even food. The particle reflects light well, and studies in 2013 found it was a common whitener in foods, showing up in powdered doughnuts made by Dunkin' Brands and Donettes made by Hostess. (Hostess did not respond to a request for comment. A Dunkin' spokesperson says its ingredient doesn't meet the FDA's definition of a nanoparticle, but adds, "We are in the process of rolling out a solution to the system that does not contain titanium dioxide.")

Plants and microbes exposed to silver nanoparticles (a common antibacterial) over five years produced roughly a third less biomass, indicating stress.

Over the past decade the use of nanoparticles has become pervasive, and exposure to them inescapable. Everyone agrees that the nanomaterials market today is vast, but there is great discrepancy among experts on just how big it really is. Some analyst reports put the size of the industry in the single-digit billions. The Project on Emerging Nanotechnologies estimates that it's $20 billion and that it will double in the next decade. And a report released last year by Global Industry Analysts, a research firm, states that the worldwide market for nanotechnology will reach an astounding $3.5 trillion by 2020. Likewise, the exact number of nanomaterials that has been created is hard to pin down, but it's probably in

PREVIOUS SPREAD AND RIGHT: STYLING BY ARIANA SALVATO; TITANIUM DIOXIDE INSET: EYE OF SCIENCE/SCIENCE SOURCE

Are We Okay With Nanomaterials?

A 2014 joint study by North Carolina State University and the University of Minnesota gauged consumer preferences for genetically modified organisms and nanotech in food. Key findings: Consumers are willing to pay more to avoid GMOs or nanotech in foods. And people were concerned about GMO more than nanotech, in contrast to scientists the world over. What consumers said:



TITANIUM DIOXIDE is one of the most common whiteners on the market and, when sized properly, is an inert and naturally occurring metal. At nanoscale, however, it can cause problems. Even eco-friendly Tom's of Maine, owned by Colgate-Palmolive, says that it's used solely to "improve the aesthetic of toothpaste."



C

C. Many personal care products, such as toothpaste and sunscreen, contain 1% to 10% nano titanium dioxide by weight.

40% Would buy GMO or nano food if they were convinced the foods had enhanced nutrition or safety

19% Would buy only if those products conveyed food safety benefits

18% Would not buy GM or nano-tech under any circumstances

the tens of thousands. What's certain is that these tiny things are out there, in great number, in a lot of the things we buy, eat, and wear. But even as nanomaterials have proliferated, the scientists who work with them and the companies that use them in their products have begun to raise questions about their safety, and to realize that we are still in the early stages of understanding the consequences of our exposure. And while there has been a very public debate about the risk of genetically modified organisms in food, the question of nanomaterials has largely stayed out of the mainstream.

Mixed in a liquid, such as sunscreen or a lotion, titanium dioxide has very little chance of moving through skin and into the bloodstream, where it might cause problems. A face powder with titanium dioxide, however, presents plenty of opportunity for inhalation. And from the lungs it can then make its way into blood. That is the kind of thing that Keller was searching for when he began his study of nano titanium dioxide in 2012. What opportunities might arise for it to cross into our blood?

In his lab, Keller flicked on his sunlike lamps over lotioned-up pigskins and waited. After just a few minutes he and his students took the samples and put them into a suspension, then fed the suspension through a filter. The goal was to get a glimpse of what the nanoparticles would look like after a bit of sun exposure, to see if anything changed that would increase the possibility for nano titanium dioxide to slip into the bloodstream. Previous tests—from manufacturers and labs that work with the FDA and EPA—had proved that part of what made nano titanium dioxide safe in viscous mixes like sunscreens was the fact that the particles clustered and clumped, creating structures bigger than the individuals and therefore less likely to slip through skin. But no one had yet tested the effects of UV rays on the nanoparticles.



A zebrafish colony (top) in UCLA's nanolab. Researchers harvest zebrafish embryos (middle) and screen them for nanomaterials using a robotic system (bottom).

COURTESY OF UCLA—CENTER FOR ENVIRONMENTAL IMPLICATIONS OF NANOTECHNOLOGY (3)

What Keller and his team found was troubling. After exposure, the nanoparticles in lotions, cosmetics, and sunscreens were no longer as clumped as before. Individual particles had broken off. And of those, many had become even smaller. Louise Stevenson, a graduate toxicology student who sometimes works with Keller, recalls, "It was definitely concerning." Ten years ago the idea of engineering products with nanoparticles—or, taken as a whole and in more complex forms, nanomaterials—had the scientific community excited. "Now," she says, "it's kind of like, 'Wait. Hold up.' There's been a shift."

In the mid-2000s, amid breathlessly optimistic reports about the burgeoning industry, hundreds of consumer companies, as well as the government, began investing in the research and development of nanoparticles for their products. Researchers found that manipulating food molecules at such a scale can produce wondrous effects: more nutrients and vitamins could be packed into a smaller space. Increasing the surface area of salt particles at the nanoscale, for instance, would let foods stay tasty with less salt. The structure of mayonnaise (which is itself a nanoparticle—an emulsified mixture of oil, water, and fat) could be tweaked to remove the fat. SABMiller began using clay nanoparticles, which were already common in ceramics, to make the walls of its beer bottles smoother, keeping beer fresh for longer. Nanoparticles began to be used in pesticides and even to deliver antibiotics via animal feed.

As questions have begun to swirl about the long-term effects of nano science, however, many companies' interest has cooled. Nestlé and Heinz have publicly stated that, while keeping an eye on industry developments, neither is "actively participating." McDonald's, which had packaging that contained nanoparticles, has publicly condemned their use in its products, toys included. Bayer also shut down its nano research in 2013. Out of dozens of companies contacted for this story, none claimed active involvement in placing nanomaterials in the food chain.

COMPANY SPOTLIGHT

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— Shaun Yancey
President and COO

"Employ the highest-grade people attainable," "Give encouragement and show appreciation," and "Be fair in all dealings."

THESE ARE A FEW OF PCL FOUNDER Ernie Poole's Rules—company guidelines that have been in place since he turned over the reins to his sons in 1948. These principles have made PCL what it is today, a great place to work.

Celebrating its 109th year in 2015, PCL has operations in the U.S, Canada, and Australia and is the sixth-largest contractor in North America. The company has built iconic structures across the U.S. including Denver International Airport, the Mall of America, the Wizarding World of Harry Potter, and STAPLES Center.

FORTUNE 100 BEST COMPANIES TO WORK FOR 2015

"Sometimes, we get caught up in the idea that we build buildings and bridges and theme-park rides, but what we really sell is a service by our people," says construction president and COO of U.S. operations Shaun Yancey, a 33-year PCL veteran who started his career as a project engineer.

This trajectory isn't rare at PCL, unique for its employee-ownership model: Poole's sons ultimately sold the company to 25 top-ranking executives, and now more than 4,000 of its salaried employees are shareholders. The ownership model fosters collaboration and camaraderie.

"Ownership is not limited to executives. Everyone from top managers to receptionists can own a part of the company," says Yancey. This, along with PCL's family-oriented culture, makes the 4,400-employee organization not only successful, but a fun place to work. Barbecues and golf tournaments are the norm; fireside chats occur twice a year. "And we listen closely to our employees," Yancey adds, "because we realize it truly is all about our people."

Among employees' top financial reasons for appreciating PCL are market-rate salaries, year-end bonuses, and stock dividends that, as Yancey puts it, "can significantly increase people's overall compensation."

PCL's community stewardship initiatives also earn kudos. The company encourages workers to spend at least 18 hours per year volunteering in the community, and also matches employee donations to the United Way dollar for dollar. As a result, the firm collectively donated over $7 million in 2014.

Ernie Poole would be proud of the company that PCL is today. ●

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This whiplash-inducing turnaround is a result of the fact that enormous amounts of money were poured into creating new materials before anyone knew quite what nanoparticles did once they got out into the world. Of the $1.8 billion earmarked for nanotechnology R&D by the federal government in 2011, for example, just $117 million went to safety research. It is telling that, as far back as 2009, representatives from Cargill, speaking before a U.K. parliamentary committee, said that until there was "a clear science-based regulatory regime" that could properly assess the environmental, health, and safety impacts, the company "will not incorporate internationally engineered nanomaterials into its products."

Finally putting together that assessment is where Keller comes in. He is among some 120 researchers involved with the Center for Environmental Implications of Nanotechnology. Center is a misnomer, for the scientists, lawyers, economists, and doctors who make up CEIN are spread out across two continents—from the University of California (in Los Angeles, Riverside, Davis, and Santa Barbara) to Rice University, Duke University, and a group in Germany. The center's mission is simple yet sweeping: "to ensure the responsible use and safe implementation of nanotechnology."

It is playing an almost Sisyphean game of catch-up because nanoparticles have existed since the beginning of the universe, and humans first created them when we made fire. We've been churning out various new nanomaterials since the 1940s, often unwittingly. They were first used intentionally as reinforcement material in fighter planes, then in circuit boards, tires, fiber-optic wire, nondairy creamer, Tupperware, and, since at least the 1990s, cosmetics.

Today nano-size particles appear in paint, food, food packaging, washing machines, and clothing. The nanomaterials industry touches nearly all aspects of manufacturing, from fertilizer for agriculture to the most targeted of medical technologies. It's hard to know exactly what has a nanomaterial and what does not, though, because nanotechnology is still considered a trade secret in the U.S., and as such many of its uses go unlabeled. Even the Project on Emerging Nanotechnologies Consumer Products Inventory, established in 2006 as a way to track engineered nanomaterials entering the marketplace, is a guesstimate. Its creator, Andrew Maynard, director of the University of Michigan's Risk Science Center, says his list provides a useful but only qualitative sense of what's being used where.

However, the basic task of CEIN is even more fundamental than cataloguing which consumer products contain nanomaterials. It's to answer this question: Now that they're everywhere, what is it that makes some nanomaterials potentially harmful and others not?

SIZE MATTERS. In the billionth-of-a-meter scale, things turn decidedly atomic. The very nature of the material shifts, not just with relatively slight changes in size but in its very shape. Such geometry is vital when considering stuff so small. Even slight changes to minuscule matter may have very large consequences. Defining the size of what constitutes a nanomaterial wasn't internationally agreed on until 2011. Even the simplified version of the definition—anything with "one or more external dimensions" between one and 100 nanometers—is opaque and confusing, for nanomaterials can and often do shape-shift, as under UV rays, or inside cells, or out in the environment when interacting with other small particles. And particles larger than 100 nanometers often display nanolike qualities, meaning they act as strangely as the slightly smaller particles do. Ground zero for determining just how those changes might cause harm is UCLA's nanotechnology lab.

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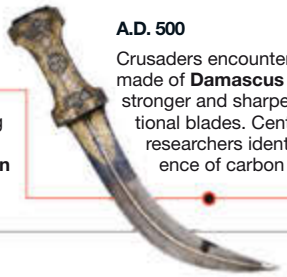
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A Brief History of a Small Thing



THE BIG BANG

Naturally occurring nanoparticles first appear at the **dawn of the universe.**



A.D. 500

Crusaders encounter swords made of **Damascus steel** that are stronger and sharper than traditional blades. Centuries later, researchers identify the presence of carbon nanotubes.



1947

Researchers at Bell Labs discover the **semiconductor transistor,** parts of which operate on the nanoscale.

1959

In a speech, American physicist **Richard Feynman** calls for the creation of a "nanomotor" the size of just a handful of atoms.



The facility looks like pretty much any other lab. It's mostly white and beige, with plenty of pipettes and beakers scattered about—only the beakers are quite small, and the machines they go in are quite large. Tian Xia, an assistant professor of medicine with a Ph.D. in biophysics, oversees much of what comes in for study. Nanoparticles most often arrive as a powder, but sometimes they come suspended in a liquid. They may be provided by major wholesalers, like Fisher Scientific and Sigma Aldridge. They can also come from companies like DuPont. A gram of the latest and greatest nanomaterial of all, graphene, costs about $1,000.

Whenever a new shipment arrives, Xia and his team essentially ignore what's on the label because it's often not totally correct. Inside the jar the sizes and shapes vary, "and that affects the properties hugely," Xia says. So they do their own analysis of what is in the jar before they even begin running tests in earnest. That's what all the big machines are for: They're electron microscopes. Lately fewer of the nanoparticles at the UCLA lab come from outside companies, and more are made from partner labs. The boutique lab-only nanoparticles may not perfectly reflect what's on the market, but they are easier to work with because they are standardized. And the goal is to establish baselines.

The most important baseline is toxicity, which is entirely relative. Toxicologists are fond of saying that it's not the substance that kills, but the dose. Even water can be toxic in large quantities. To gauge toxicity, then, Xia and his team measure newer nanoparticles against well-known and heavily used ones. In cells, titanium is at the least harmful end of the spectrum, even though variations of titanium, such as dioxide, may well cause problems. Zinc oxide—another common ingredient in sunscreen—is at the harmful end.

At the UCLA lab, the scientists have so far catalogued and ranked about 100 nanoparticles out of tens of thousands.

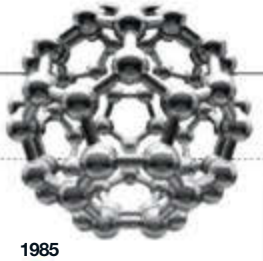
One of the primary ways the scientists at UCLA test toxicity is to put a solution of the nanoparticles in with an individual zebrafish embryo, then track the development of the fish. This way Xia and his team might better understand "if there's an effect in the water source" and what that means to living creatures. A zebrafish is, obviously, a far cry from a human, but the cell biology of all living creatures is relatively similar in such early stages of development. What's harmful to a zebrafish will almost certainly be harmful to many, many other living things. Zebrafish embryos develop quickly, are easy to work with, and are standard in labs throughout the world. After just a few days the results are apparent, and often startling. After three days, a normal healthy zebrafish should hatch from its embryo. Often, in the presence of nanoparticles, it doesn't.

During a visit to the UCLA lab one member of Xia's team, a CEIN researcher named Sijie Lin, pulls up a range of snapshots on a grid, displaying the embryonic development of 16 eggs over 120 hours. Each egg started at the same point and continued apace until hatching began. Some of the eggs began breaking as tiny zebrafish escaped. Others became darker and darker. Some eggs, near the end, appeared entirely black. Lin explains that the nanoparticles had been interacting with an enzyme meant to break down the envelope surrounding the zebrafish—the "shell" of the egg they're developing in. In normal development, and in solutions with nonharmful nanoparticles, the envelope dissolves enough for the fish to break free. In other cases, as with zinc and some silver and copper oxides, the fish is developing as it should, but it can't break free. It's trapped in the egg and dies there.

"So," says Lin brightly, "we have a material property linked to an environmental hazard." Nanomaterials, he explains, have different properties. But it's not clear what's causing the biological effects observed in the zebrafish. "If we know the properties of the particle, we might be able to modify the manufacturing process, make it similar to what isn't harmful, and the effect will be gone," he says. "Eventually, in theory, it should be safer." He's just not sure when exactly, or how this safety breakthrough will come. Lin and Xia are in the process of identifying problems—they've catalogued and ranked by toxicity about 100 nanoparticles so far—and can envision finding a solution. But there is no clear path. Such is the state of nano science today.

Exactly how an individual nanoparticle becomes toxic—what it does to a cell—is hard to predict and often varies particle to particle. There are, however,

BIG BANG: MICHAEL DUNNING—SCIENCE SOURCE; STEEL AND TRANSISTOR: SSPL—GETTY IMAGES; FEYNMAN: JOE MUNROE—HULTON ARCHIVE/GETTY IMAGES



1985

Researchers at Rice University discover the **"buckyball,"** a carbon nanostructure used today in medicine.

1990

A team of IBM physicists spells **"IBM"** in individual xenon atoms on the surface of a nickel crystal.





1998

L'Oréal uses polymer nano-capsules to deliver vitamin A into the deeper layers of skin and unveils **Plentitude Revitalift,** an antiwrinkle cream.

2008

The **Schick FX Diamond razor** debuts with blades coated in nanomaterial to boost durability.



2014

A proposal calling for a report from **Dunkin' Brands** about the risks of nanomaterials in food gets 18.7% of votes at the company's shareholders meeting.

a few properties common to a range of particles that appear to be responsible for a lot of toxicity. Positively charged particles, for example, are more likely to disrupt cell membranes, because the membranes are very slightly negatively charged. Nano-size rare-earth oxides, Xia explains, are "even wackier" and enter the lysosome (an enzyme-carrier organelle within animal cells) and change shape from spherical to "sea-urchin-like." Xia smiles while describing what occurs when nanoparticles enter cells, his eyes wide with wonder over the tiny strangeness of it all. "Weird things happen that we never even thought would be possible," he says.

> "When you tell people, 'This is there to brighten your food,'" says one prominent researcher who studies nanomaterials, "they aren't dumb, and aren't thrilled."

IN 2011, JUST A few months after an international definition of a nanoparticle was agreed on, the Environmental Protection Agency released a remarkable report that stated, in effect, that it had no idea what was going on with nanomaterials and was not equipped to regulate them. The report was the result of a proposed EPA policy to "identify new pesticides being registered with nanoscale materials." But "after minimal industry participation in a voluntary data-collection program," the agency had thrown up its hands and recommended that reporting be mandatory. The EPA added that even if such industry reporting were mandatory, it still would have no idea what was going on, because the EPA wasn't even sure what nanomaterials it should be worried about.

A year later the Food and Drug Administration drafted a proposal outlining potential regulation on nanoparticles in food, admitting that the particles "raise new safety issues that have not been seen in their traditionally manufactured counterparts," while also saying that testing for such particles should be "rigorous" yet voluntary. Both the FDA's and the EPA's gestures are pretty much meaningless, however, because a lot of the manufacture of nanomaterials used in the most common consumer goods has—like much of the rest of the process—moved to China, Taiwan, Vietnam, and South Korea.

Consumers should be wary, but workers who handle nanomaterials should be concerned. The National Institute for Occupational Safety and Health has created maximum-exposure guidelines for nanoparticles, but those, too, are voluntary. A case report published by the *American Journal of Industrial Medicine* featured a story of a worker who developed nasal congestion, postnasal drip, facial flushing, and "skin reactions" after she was unknowingly exposed to a few grams of nickel nanoparticles "in a setting without any special respiratory protection or control measures." There is simply no way to know how many workers are exposed each day, to how much or for how long, because as the EPA and FDA make clear, there is no law requiring disclosure. The most comprehensive study thus far of potential exposure to nanomaterials in the workplace was a voluntary survey conducted in Germany. Less than a third of all companies contacted even replied.

All this may sound a bit alarmist. But perhaps the most concerning and harmful aspect of heightened fears about nanoparticles is the potential for a broad, ill-informed backlash. Go to Google and search "nano" and "food" and you can find hundreds of articles from well-intentioned consumer advocacy groups making dubious scientific claims, scaring people away from buying half the products on store shelves.

Doctors and scientists have already accomplished remarkable things using nanomaterials to, for example, deliver highly targeted drugs to specific areas of the body and root out cancerous cells. Antibacterial nanoparticles like silver and copper are, when used properly, undoubtedly responsible for limiting the spread of disease. A new tool for fighting cancers and viruses is a nanoscale explosive nicknamed a buckybomb, which can reach a temperature of 7,232° F and attack exactly what needs destroying inside the body

BUCKYBALL: LAGUNA DESIGN—SCIENCE SOURCE; REVITALIFT: SSPL/GETTY IMAGES

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without harming the surrounding cells. Nanoscale technology has amazing promise. But the scientists trying to figure out what is potentially dangerous and what isn't are the first to point out that industry is doing itself no favors by being opaque about just what has nano and what does not.

The history of genetically modified organisms provides a cautionary tale. "The last thing we want is for this to go the way of GMO," says Keller. GMOs loom large for Keller and plenty of others in the nano community because they developed in a similar way to nanomaterials. GMOs have existed on earth for eons; humans have controlled the gene pools of plants (like corn) and animals (like dogs) for millennia. But as modification ramped up, moved into labs, spread to more plants and animals, and became controlled by corporations, the science behind genetic modification grew murky in the public eye. And such darkness fed mistrust and fear. Now plenty of otherwise reasonable people go out of their way to avoid GMOs when the science has proved them safe.

Keller often speaks at conferences around the world to outline his work and explain some of the concerns raised by the proliferation of nanoparticles in the environment. Whenever he gives a talk, a segment of the audience—the nonscientists usually—goes from having no idea of what nanoparticles are to being deeply paranoid about them. But people are much more sensitive to some uses than to others—and intuitively savvy about unnecessary uses of the science. Keller says he wants to conduct a consumer survey on nanomaterials that includes a sort of cost-benefit analysis about where nanoparticles should and shouldn't be used. He suspects that medical uses will get high marks, while food will score very low. "When you tell people, 'This is there to brighten your food,' they aren't dumb, and aren't thrilled," Keller says. If consumers are given the proper information, along with smarter regulations and better labeling, Keller thinks they will make the right choices. The last thing he'd want to see, he says, is people no longer using sunscreen because they're worried about nanoparticles inside. The risk of skin cancer from UV rays almost certainly outweighs any of the long-term risks posed by nanoparticles. The challenge ahead for Keller and his peers is determining how much nanomaterial is free in nature now, where it's building up, and what might happen to it over the decades and even centuries.

To illustrate what can happen to the toxicity of nanoparticles in the environment, Keller likes to tell a story involving pesticides. Several large companies, DuPont among them, explains Keller, have started using nanocapsules to deliver small amounts of pesticide over time. It's "a smart way to do it," Keller says, safer and more targeted, as well as less wasteful. But like traditional pesticide, a lot of this nano-cide gets washed away, and wastewater-treatment plants can't handle nanoparticles. So the pesticide ends up in sludge, which is rebranded a "bio-solid." It's then put back onto land, where it works its way into soil and attacks nitrogen-fixing bacteria, a crucial part of plant growth. If we fully knew where nano-pesticides were being used, we might stop the cycle or alter it and save both the soil and the crops.

Stevenson, the graduate student who often works with Keller, says she gets frustrated with the needless proliferation of nanomaterials. When she discovers a new product that has nanoparticles in it, she often thinks, "That's just stupid," because it's so unnecessary. For instance, a recent trend is to put nano-size silver ions in sporting equipment, like shirts, to combat odor. "If you're going to work out, you're going to stink—it's that simple. Why increase the risk of exposure?" she says. It may be decades before we can truly measure the cost of making our laundry hampers a little less pungent.

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COMPANY SPOTLIGHT

WELLSTAR'S VIGOROUS WORKPLACE CULTURE PAYS DIVIDENDS

An employees-first approach accounts for this health care giant's role as a front-runner in technology, diagnostics, and treatment.

TO DELIVER TOP-OF-THE-FIELD HEALTH CARE, take care of your own people first and they will pay it forward. That's the philosophy powering WellStar Health System, which oversees the well-being of more than 1.4 million patients. Recognized as a leader in diagnostics and treatment methods, WellStar makes a vigorous and satisfying workplace its priority.

"Health care is a competitive field," says EVP of human resources and organizational learning, and chief compliance officer David Anderson. "To ensure that WellStar can recruit and retain top talent, we've made work-life balance a priority through our 'employer of choice' strategy. We have flexible shifts and on-site child care. We also offer backup care for elderly family members or sick children. The whole goal is to allow our team members a worry-free atmosphere so they can be at their best and focus on delivering world-class care."

Excellent benefits and compensation, plus opportunities for career growth, leadership, and training, all contribute to the team's sense of well-being, Anderson adds, citing the company's Scholars Educational Loan Program.

In that initiative, WellStar provided financial assistance of up to 60% for team members wishing to attend a dual business and health management master's program; the loans are forgiven if participants stay with WellStar for five years. Managers promote the program to prospective leadership candidates and seek applications systemwide, across all disciplines and levels.

A robust internal workforce makes outreach easier, too. WellStar team members focus on overall public health not only through clinical services but also by providing help in areas including chronic disease management, complementary medicine, screenings, fitness programs, and education.

"We are committed to a 'triple aim' strategy in health care: lowering cost, improving access, and increasing quality," says Anderson. "To meet this challenge, we must create a culture focused on trust and team member engagement that leads to world-class health care." ●

92%

of WellStar's team appreciate the way they contribute to the community.

WellStar's Scholars Educational Loan Program provided financial assistance of up to

60 PERCENT

of educational costs.

88%

of employees feel people at the company are trusted with a lot of responsibility.

SOURCE: 2014 Great Place to Work.® Trust Index® Employee Survey

BREAKING NEW GROUND IN HEALTHCARE

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Olsen in his office in downtown Oslo. His family's shipping empire dates back to 1848.

BY SHAWN TULLY

The Crazy, True-Life Adventures of Norway's Most Radical Billionaire

Fred Olsen is both the owner of Timex and its most successful watch designer. He's also a world-class sailor and an oil industry pioneer, and was rumored to have inspired a *Simpsons* character. Now he's leading a revolution in offshore wind.

PHOTOGRAPH BY FRANCK FERVILLE

Fred Olsen is reliving the day he ran off to sea. The 86-year-old Norwegian billionaire is showing me around the museum-like headquarters of his business empire when he pauses next to a glass-encased model of the *Bruno*, the fruit ship he boarded in January 1949, just days after his 20th birthday. As the scion of a Norwegian shipping empire co-founded by his great-grandfather and named for his great-granduncle, the original Fred Olsen, he could have taken the predictable path of the privileged. His own father, Thomas, had attended Cambridge and run the family business despite never having worked on a ship. But Olsen decided to chart his own course. Instead of attending college, he spent more than two years touring the world aboard the *Bruno* and other vessels, shipping bananas from the Canary Islands to Scandinavia and cognac from Bordeaux to the Mediterranean. He labored in lowly positions, as a deck hand and a "greaser," the sailor who fixes the auxiliary engine that generates electricity. Along the way he studied the boats' mechanical systems and observed how cargo was managed. "It was better than an MBA, better than an engineering degree," says Olsen, his pale-blue eyes, framed with rimless glasses, twinkling as he recalls life on the *Bruno*. "No diploma could come close to that education."

The world of business is not populated with many truly unconventional thinkers—except, of course, at the top of some of its most revolutionary companies. Think of other non–college grads who took a radical approach and stuck to it fearlessly: Steve Jobs created world-changing products at Apple. Bill Gates followed his passion for programming to build Microsoft, the world's largest software company. And Sir Richard Branson has battled the establishment in everything from music to airlines.

Like them, Olsen is a dreamer who acts—and rarely follows the expected script. Heir to a shipping fortune, Olsen steered the family businesses in a new direction, first leading the North Sea oil revolution, then becoming one of the world's foremost pioneers in wind power. But that's just the beginning of his story. Given his over-the-top life experiences, maybe it's Olsen, not the bearded adventurer from the Dos Equis beer commercials, who is really "The Most Interesting Man in the World."

In the late 1960s, Olsen led the first Norwegian group to drill for oil in the North Sea. Shortly thereafter, his company's rig made the first discovery in Ekofisk, one of the largest deepwater oilfields ever developed. Olsen also co-founded Norway's first private oil company, Saga Petroleum, and rallied the Norwegian industry to build expertise in oilfield products and services, a course that helped make his homeland one of the richest nations on earth.

Since he branched out into renewable energy in the 1990s, Olsen's companies have invested more than $1 billion in wind power. Olsen is now the biggest independent, meaning non-utility, provider of wind electricity in Britain. Today he's focusing on the fastest-growing market in renewables: offshore wind. His companies installed one in five new offshore turbines last year in Europe, the world's largest market. He's also installing the first sea-based wind farm in the U.S., located off the coast of Rhode Island.

When he's not disrupting the energy industry, Olsen doubles as one of history's most successful watch designers. He and his daughter Anette, 58, control and run Timex Group, which has struggled a bit lately but still ranks as the No. 2 seller of watches in the U.S., behind Fossil. It was Olsen himself who practically created the sports watch category when he dreamed up the bestselling Ironman Triathlon in the mid-1980s. A few years later he brought illumination to watches with the Indiglo night-light. And in 1994 he launched a groundbreaking "smart watch," the Data Link, co-developed with Microsoft.

PREVIOUS SPREAD: AGENCE VU'; ALL PHOTOGRAPHS COURTESY OF FRED OLSEN

As befits a man who once ran off to sea, Olsen is also a world-class sailor. He won the world championship in International One Design, a class of 33-foot boats, in 1959 and 1960. After a break lasting decades he staged a comeback, finishing a promising third, in a tight finish, in the 2014 Norwegian championships. As a concession to his age, these days he wears a construction helmet onboard. "I need protection because I keep getting hit by the boom," he explains.

Olsen's story is not well known, in part because—despite owning Norway's largest business newspaper publisher—he has spent most of his long career avoiding the media spotlight. Recently he granted *Fortune* the first extensive interviews he's ever conducted. In the course of almost two full days of conversations in his offices—housed in a building constructed in 1710 that occupies an entire city block in a historic district of Oslo and borders on Fred. Olsen Street—Olsen was open and outspoken, especially about his passion for renewable energy.

Although former associates say Olsen is a brutally tough businessman, in our discussions he never mentioned profits and rarely cited numbers when talking about his latest investments. For Olsen, renewable energy is more an ethical calling than a business imperative. His long experience in petroleum production convinces him that the world isn't facing a shortage of oil or even a future of ultrahigh prices. But renewables are essential, he says, to counter global warming. "If this warming continues, the oceans will rise, and the place we're sitting now, and many cities, will be under water," says Olsen, who drives a Tesla Model S. His principal crusade is protecting the Arctic from the drilling and shipping traffic that fracture the polar icecap. "I used to fly over the North Pole, and all you saw was thick, white ice, cracked like the surface of an old painting," he says. "Now you see lots of black water, and that accelerates the heating of the oceans."

Olsen views himself primarily as a designer and inventor whose background in the energy business enables him to be ambitious. "My lack of a formal education is a terrific advantage," he says in his lightly accented English. "I'm not







Above: An Olsen "jack-up" vessel installs a wind turbine off the coast of Germany in 2013. Left: One of Olsen's Aker semi-submersible oil drilling rigs in 1974. Below: Olsen at one of his company's wind farms in Scotland in 2006.

held back by academic constraints. I think more broadly, and worry about the engineering details later." While others wring their hands about climate change, Olsen intends to do his part to fix the problem by creating a model for scaling up renewable-energy resources. It would be just the latest chapter in a life of remarkable tales.

It was a narrow escape. On April 9, 1940, the day the Nazis invaded Norway, 11-year-old Fred, accompanied by his mother and another family, skied across the Dovre Mountains to the Atlantic fjords, where they met up with his father, Thomas. The Olsens caught a British destroyer to the Orkney Islands. "I rode into Orkney straddling a torpedo," says Fred. The family settled in Ossining, a New York City suburb on the Hudson River, and Fred attended nearby prep schools. "I still wear the wool pants from Abercrombie & Fitch from 1942," says Olsen. "They still fit, and they're tough as hell." A frequent visitor in Ossining was close family friend and fellow Norwegian Thor Heyerdahl, five years before his fabled 1947 voyage across the Pacific on the raft *Kon-Tiki*. "I'd see him at our pool in a bathing suit, standing in the drenching rain, steeling himself against the dangers of lightning," says Olsen.

An adamant anti-Nazi, Thomas Olsen had pleaded in vain for Norway to arm itself against a German invasion and sent most of the family cash to the U.S. just before the Nazis took Oslo. In 1941, Thomas paid $500,000 to purchase a majority interest in a Connecticut-based manufacturer of bomb fuses for the British government, the Waterbury Clock Co. A few years later Thomas Olsen would rechristen the company Timex. He hatched the iconic name from an unusual confluence of sources. Recalls Fred: "My father always loved to noodle with words. He liked to read *Time* magazine, and he used a lot of Kleenex, so he put the two names together and got Timex."

Informed that he was not the model for Mr. Burns, Olsen pauses for several seconds before blurting out, "I'm thankful!"



For years it's been rumored that Olsen inspired the look of a tyrannical character on *The Simpsons*.

Thomas Olsen was also a great patron of the Norwegian painter Edvard Munch. When the Olsens fled Norway they left much of their collection, including a celebrated version of Munch's famous "The Scream," hidden in a barn, where it remained throughout the war. Fred's much younger brother, Petter, would later win "The Scream," and most of the family's other Munch paintings, in a bitter inheritance battle with Fred. He sold it in 2012 to billionaire Leon Black for $120 million, then the highest price ever paid for a work of art at auction. Fred sold most of his collection in 2006 for $29.5 million, though two Munch paintings hang in his Oslo home today.

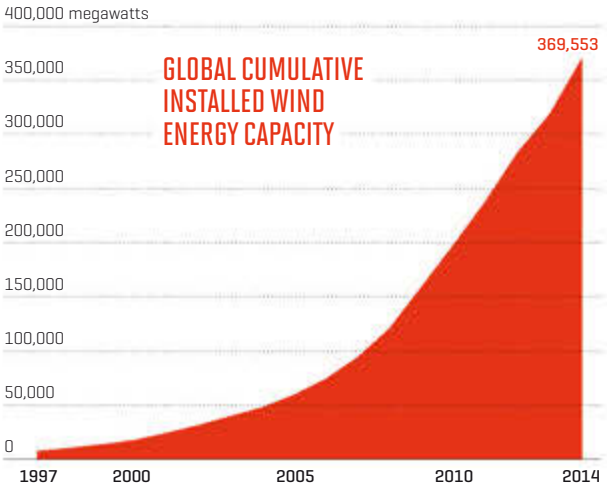
The family returned to Norway after the war, and Thomas Olsen rebuilt the shipping business, which dates from 1848, while retaining ownership of Timex. But in 1955, Thomas suffered a serious stroke, and Fred, at age 26, took charge of the family business empire.

It wasn't too long before Olsen sensed a major opportunity. In the early 1960s discoveries of natural gas in the British sector of the North Sea convinced Olsen that the seabed between Scotland, Denmark, and Norway covered vast reserves of oil. In 1965 he formed a consortium of shipping, insurance, and industrial companies to apply for drilling licenses in Norway's North Sea. The Norwegian Oil Consortium, or Noco, won what would become lucrative concessions. "I had the fancy thought that Norway could be a great oil nation," he says. In 1967, Noco, along with Amoco and other partners, retrofitted an old whaling vessel to explore for oil, punching some of the first test holes in Norway's sector of the North Sea.

The Olsens had long controlled Aker, a large shipbuilding concern. As chairman, Olsen steered Aker into the burgeon-

BLOWING UP

Olsen is one of the leading non-utility investors in the fast-growing global wind-power industry.



GRAPHIC SOURCE: "GLOBAL WIND ENERGY COUNCIL"; FOX VIA GETTY IMAGES

ing field of building semi-submersible drilling rigs, which sit on giant pontoons. Aker produced the first semi-submersible ever built in Norway, the *Ocean Viking*. Phillips Petroleum leased the rig, and in 1969 it made the first oil discovery in the North Sea, in what turned out to be the massive Ekofisk field. It would become one of the largest offshore oilfields of its time, helping to attract oil majors to the region.

Inspired by the Ekofisk discovery, Olsen pushed Aker to totally transform its business. "I heard that in the Yukon gold rush, it wasn't just the people who found gold who got rich, it was the owners of the brothels," says Olsen. "We wanted to provide the services and products the offshore drillers needed most." Aker's specialty had been constructing cargo ships and tankers. Olsen decided to focus on constructing rigs specially designed for the battering waves of the North Sea. Convincing the troops provided a lasting lesson in management. "Most companies have tremendous trouble changing to another product group," he says. "The managers fight to the end because they're afraid they won't hold such an elevated position in the new pyramid." In the end he prevailed, and the super-rugged Aker H-3 rig became the workhorse of the North Sea.

Over the years Olsen has demonstrated a remarkable instinct for catching trends, riding them to the top, and exiting at the crest. Consider his timing in tankers. From the mid-1960s to the early 1970s, Olsen shed almost his entire fleet of ships in a strong market. In January 1973, Olsen observed that tanker prices had tripled in five years. Fearing a glut, he sold three tankers to GATX of the U.S. for $25.5 million, today's equivalent of $130 million. He was both smart and lucky. Months later the OPEC crisis tripled oil prices and sank the tanker market. His run continued with Aker. In 1985 cement maker Norcem purchased Aker as oil hovered around $30 per barrel. Olsen collected some $110 million. Within a year crude prices dropped as low as $12.

Today Olsen's businesses fall into two main categories: energy and Timex. His daughter Anette generally takes the CEO role at the family companies, with Fred serving as chairman. They've collaborated closely for 30 years: Fred



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decides what big trends to follow, and Anette heads up operations. Olsen claims only a small ownership share in his family companies, but he's long exercised strong management control over all of them. Today those companies generate around $2.5 billion in sales and more than $500 million in cash flow.

In energy the Olsens control a network of enterprises spanning petroleum and renewables. Fred. Olsen Energy, their oil services company, owns and leases vessels to large companies such as Chevron and Anadarko. Over the past several years it's been highly profitable, generating $395 million in cash flow after interest and taxes in 2014. (For all the Fred. Olsen companies, the period after Fred signifies that it's an abbreviation of Fredrik.) Crude's free fall over the past several months, however, has hurt its stock price. Since early last year, FOE's shares have dropped from $33 to around $9, lowering the company's market cap from $2.2 billion to $600 million.

Olsen isn't especially concerned about the plunge in oil prices. He's seen those patterns before. "What goes up has to come down," he says. "But when prices drop too rapidly, they tend to rise rapidly. The drop was too dramatic, and as a result, there's too little drilling." Olsen foresees a world where oil hovers around $65, a price that should revive share prices in the drill rig sector. That's if demand from China remains relatively stable. If China's oil consumption spikes, says Olsen, he believes prices will rise well above $65.

The Olsens control Fred. Olsen Energy through a publicly traded holding company, Bonheur. Its main investments are 52% of FOE and 100% of Olsen's two major green-energy businesses, as well as Fred. Olsen Cruise Lines, whose four ships carry almost 100,000 vacationers a year on tours of the Caribbean and other sunny locales. For now, the larger green venture is Fred. Olsen Renewables, or FOR, a builder and operator of onshore wind farms. FOR owns all the projects it develops. Its six farms in Britain supply around 7% of the nation's wind power, and seven more sites that are approved or under construction, in Scotland and Scandinavia, will almost triple its output of electricity.

The offshore wind arm is Fred. Olsen Ocean (FOO). FOO and its subsidiaries supply all the labor and vessels required to install wind farms at sea. Unlike its sister, FOR, FOO doesn't own the projects it builds; it's strictly a service provider in a fast-growing arena. The fall in oil prices isn't hurting renewables, since they benefit from rich subsidies provided by Germany and the U.K., among other nations. The wind businesses are highly profitable, generating $132 million in cash flow on $307 million in sales for 2014.

The energy side of the business also includes Harland and Wolff, the shipyard in Belfast that built the *Titanic*; it now designs and builds systems for both the oil and renewable-energy industries, from offshore rigs to wind turbines. Then there is Olsen's 11,000-acre domain in Scotland, known as the Forrest Estate, where the public is invited, for a fee, to enjoy pheasant hunting and trout fishing. The rustic grounds are home to his renewables consulting branch, Natural Power, where 100 employees work in offices covered by a turf roof to conserve heat, a feature Olsen adapted from the farms of Norway.

Timex, Olsen's second big holding, is a great brand in need of revival. Since 2010 the global watch industry has shown strong growth, advancing more than 30% to around $70 billion in retail sales. Timex, however, has missed the wave. Traditionally the privately owned manufacturer specialized in cheap, durable, mass-market timepieces. But today many younger consumers rely on their smartphones to tell time, and the just-the-basics Timex franchise has suffered. The growth area is in higher-end timepieces. Guess is the company's premier fashion brand, and recently it has been losing ground to flashier new rivals such as Michael Kors, manufactured by Fossil. A big push into luxury has met with mixed results, leading Timex to drop its premium Valentino and Vincent Bérard brands.

Timex remains profitable, but both earnings and sales are heading the wrong way. Around 2010, Timex was earning $80 million on sales of $800 million. "Both turnover and profits are lower than they were," says Olsen, who declines to cite precise figures.

Olsen has rescued Timex from tough times before. In the early 1980s the company was near death. Its great days on the back of a legendary ad campaign—"It takes a licking and keeps on ticking"—had vanished with astonishing speed as the company stuck to mechanical watches when the world



COURTESY OF TIMEX GROUP

ALL ON THE WRIST

At Timex, Olsen has conceived some major products. A few of his greatest hits:

1. INDIGLO Introduced in 1992, the night-light remains a signature feature of many Timex watches.

2. IRONMAN TRIATHLON Olsen helped save Timex in the 1980s with this pioneering watch for runners. It's still a bestseller.

3. DATA LINK Developed with Microsoft in 1994, it was a revolutionary "smart watch."

went digital. Between 1979 and 1983, Timex's workforce shrank from 30,000 to 6,000. And in 1984 it lost $120 million. Olsen began spending every other week in Connecticut. "I'd make calls to Europe from 3 a.m. to 8 a.m., then go to work at Timex until 6 p.m.," he says.

His presence galvanized and terrified employees in equal measure. Each morning he'd race into the parking lot in a secondhand Oldsmobile 98 sedan, then sprint upstairs to his office. "It was like he never slept," says one former employee. "He could be really rough when he was mad about something. He could shame you. But you knew why, and you knew you'd screwed up. If you were as passionate as he was, he loved you, but if not, you were gone." In quieter moments Olsen would regale employees about the lost city of Atlantis or Heyerdahl's discoveries. They called such sessions "going to the moon."

Olsen's passion was new products, and his inventions saved Timex. "I noticed people jogging, even in the heat in Houston," says Olsen. "Yet the sports stores hadn't kept up, and I thought they would." He saw an opportunity to capitalize on a growing fitness craze and came up with the Ironman Triathlon, which by the late 1980s became the bestselling watch in America and remains a Timex staple. In 1992, Olsen pioneered another trademark feature—Indiglo, a paper-thin luminescent film that, when you touch a button, creates a green or blue night-light.

Despite its current problems, Timex retains two big advantages: prowess in technology and expertise in sports watches as the purveyor of the Ironman Triathlon. The company is blending those two strengths in a promising new product called the Timex Ironman One GPS+. It's a combination sports and smartwatch designed for runners, and it's the first watch that doesn't need a mobile phone to connect to a wireless network. Runners can leave their mobile phones at home and still listen to tunes via the watch as well as track their speed and check emails. "This is a great opportunity for us," says Anette.

So what is the value of the Olsen empire? Fred Olsen tells *Fortune* that he gave all the shares in his companies to trusts for Anette and his other three children, a son and



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two more daughters, in the 1960s. For a wealthy energy mogul, he's a model of frugality. "I live off my salary and pension, never off my capital," he says. "And it's nothing like what you see in America. In Norway they don't like people who make a lot of money." Overall, the family's ownership share in the energy enterprises is less than $500 million, a big drop from last year because of the fall in shares at Fred. Olsen Energy. Given the volatile nature of oil prices, it's more logical to base Olsen's energy wealth on the net worth, or book equity, of the companies—the value of the ships, rigs, and other assets, minus debt. In petroleum and renewables, the family's equity stake stands at around $800 million.

Fred's family shares its ownership in Timex with the family of his brother, Petter, through a trust based in Liechtenstein. Timex is probably worth something more than a typical valuation of one times sales, simply because of its great brand name. So a reasonable value for Timex is $1 billion, with Fred's family share worth $500 million. Adding their Timex holdings to the energy interests' book value of $800 million, the family's wealth comes to $1.3 billion or so, not including the Forrest Estate and other outside holdings. If oil prices rebound, that number will soar again.





Right: Olsen working on a cargo ship in the 1950s. Below: Sailing solo off the Norwegian coast. The former world champion recently began racing again.

If you think that Fred Olsen looks familiar, you have plenty of company. His narrow aquiline visage and bald pate give him an uncanny resemblance to C. Montgomery Burns, the tyrannical tycoon in the animated sitcom *The Simpsons*. Because of the resemblance, a rumor started years ago that the show's creator, Matt Groening, had modeled Burns, in highly caricatured form, on Olsen. The story was frequently reported as fact in the press. It became an urban legend in Oslo and provided fodder for Timex's unions when they feuded with Olsen. In my conversations with him, it was clear that even Olsen himself believed he'd been the inspiration for the Burns character. Now, however, *Fortune* can finally lay the tale to rest. Via email, Groening told *Fortune* that any resemblance between Burns and Olsen is "totally coincidental." When I informed Olsen on a recent phone call, he paused for several seconds before blurting out, "I'm thankful!"

The ultra-green Olsen viewed it as particularly unsettling to be associated with a character who owns a nuclear power plant. Most of his attention today is focused on hatching new technology in wind power. "We started with the belief that we'd take our expertise in shipping, drilling, and shipyards, and bring that know-how and talent to offshore," he says. The offshore wind market is still tiny compared with onshore, but it's growing far faster. Winds are stronger and steadier offshore. While it's often hard to find locations—and secure the licenses—for onshore farms, and governments limit the size of the turbines, offshore faces no such constraints. Hence, it's where many giant, industrial-size projects of the future will arise. Governments are hungry for wind, especially in Europe. Germany is phasing out nuclear power and plans to fill the gap largely with wind farms at sea. The U.K. wants to triple its production of renewable energy to 15% by 2020. To get there, it's heavily promoting offshore wind. Though Europe is still the biggest offshore market, China and Japan are pledging heavy government support for wind farms that will hug their coasts.

The obstacle is offshore's high costs, largely driven by the tremendous expense of installing massive turbines—transported by costly ships—into the ocean floor. Olsen is finding ways to radically lower the cost of installation. Among his many innovations, two are especially important. The first is a potentially huge advance in the foundations that support giant turbines. Today the most common method for installing turbines is pounding them 130 feet into the ocean floor

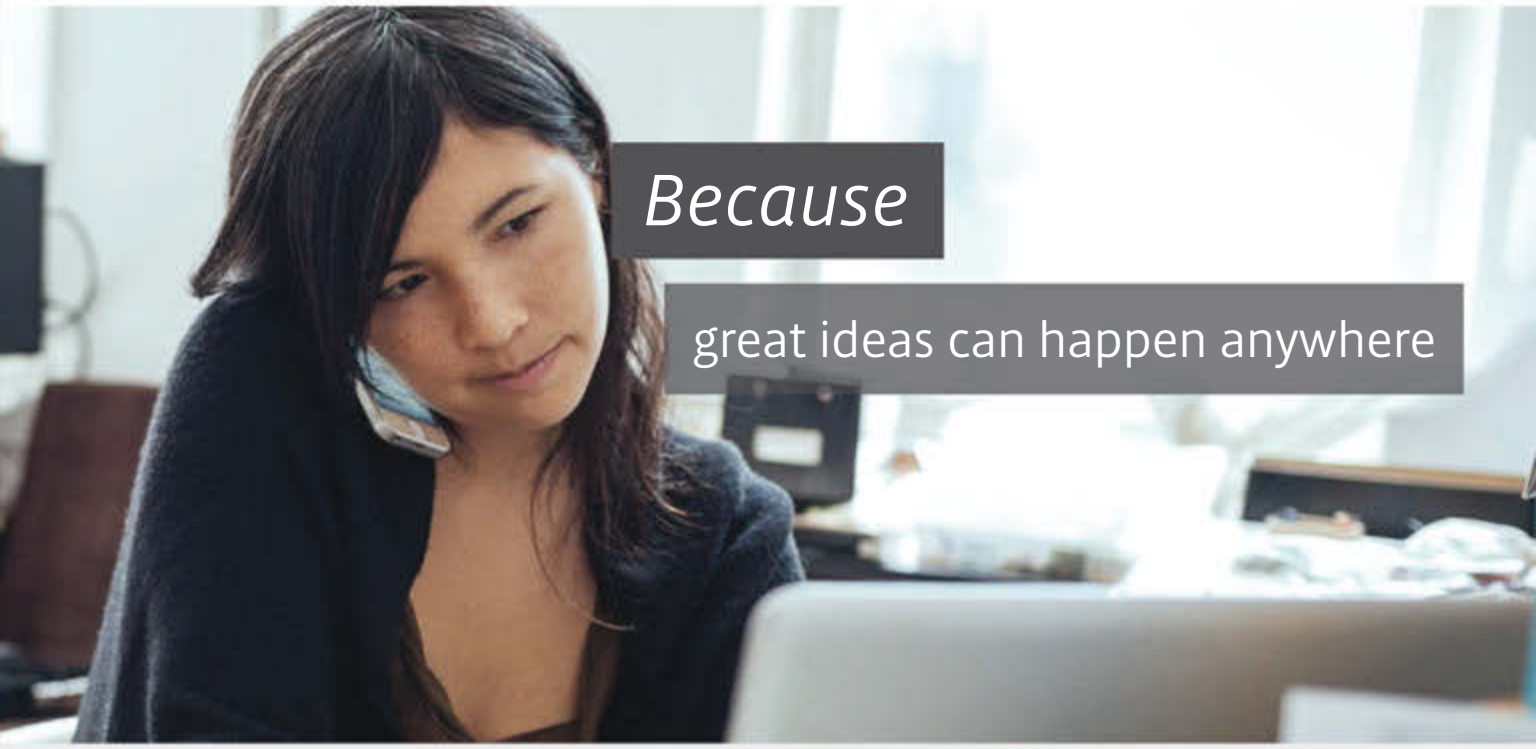
with gigantic hammers that rent for $100,000 a day. Olsen reckoned that a Danish startup called Universal Foundation offered a far better solution, so in 2010 he bought the company. The Universal foundations operate on a suction system. A pump creates a vacuum that sinks the skirt, or bucket, into the seabed. The skirt burrows into the soil and rock like a beer mug pushed into the sand. "It reminded me of the suction anchors we used on the offshore rigs," says Olsen. Today potential clients are extensively testing the technology offshore. The new foundations could shrink installation times, from 18 months to 12, and lower costs 20%.

Second, the Olsen team has designed a new generation of "wind carriers" that make the installation process far more efficient. "Fred was all over the design," says Rolf Normann, CEO of Fred. Olsen Ocean. Predicting bigger and bigger turbines, he insisted on making deck space both extremely large and clear of obstruction. The installation ships have tall "jack-up" legs that loom high above the deck when the vessels are moving. When the ship is parked, the legs descend, planting their feet in the sea floor and turning the ship into a stable workstation.

Six-legged ships are common in the industry. Olsen insisted that his new ones use only four. That leaves more free space for carrying turbines. The giant crane that lifts the turbines straddles one of the legs instead of sitting on its own, saving still more deck room. The two new ships, the *Brave Tern* and *Bold Tern*, recently completed one of the most ambitious projects in offshore history—the Global Tech 1 development in the North Sea off the coast of Germany. The two ships installed 75 of the project's 80 turbines; Global Tech will provide electricity for 330,000 households in northern Germany.

Back in his office, Olsen is reflecting on his long career, in which change has been just about the only constant. "Both products and family businesses obey life cycles," he says. "My mother's family was in fishhooks and horseshoe nails. Those businesses came and went. That's why it's so important to catch the wave, to keep innovating, keep changing." In Olsen's case, that's been the blueprint for a most interesting life.

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HUNTERS OF BRILLIANCE

The elusive ranks of desireable corporate talent don't necessarily broadcast their presence on job boards. They're too busy for that. As a result, **recruiters** have become proactive partners of industry who strategize...and plan ahead.

HUMAN CAPITAL: it's a need that increasingly drives all corporate C-suites beyond the human resources office. Indeed, a 2014 Conference Board survey of over 500 CEOs named it a top concern for companies. And it's at a crossroads.

Traditionally, employee recruiters posted openings on company bulletin boards and online job boards. But that no longer works very well. For one thing, job boards are not where today's top talent hangs out. And in today's market, talented individuals don't go looking for jobs—jobs go looking for them, presenting increasing challenges for recruiters.



"The old ways that we thought about recruiting and staffing have started to break down," says Carl Rhodes, CEO of the Human Capital Institute (HCI), the global association for strategic talent management, with 195,000 members worldwide. "What's new is the importance of anticipation—anticipating the stars that you need not just right now, but that you'll need in time."

The scarcity of top talent is another important factor in strategic talent acquisition and management in an environment of constant change. "We hear from our members all the time that it is too hard to find talent in traditional ways, because it just takes too long to find them," adds Rhodes. "And if I wait for that particular skill set to show up through traditional channels, it's over. I've already lost."

As a result, companies are developing talent acquisition strategists using a whole new bag of tools—social media, data analytics, software solutions, future global workforce projections—to find workers with next-generation skill sets. And they're empowering them to play roles not just in hiring, but in strategic planning, workforce planning, training, and succession planning, and to look for talent internally as well as externally.

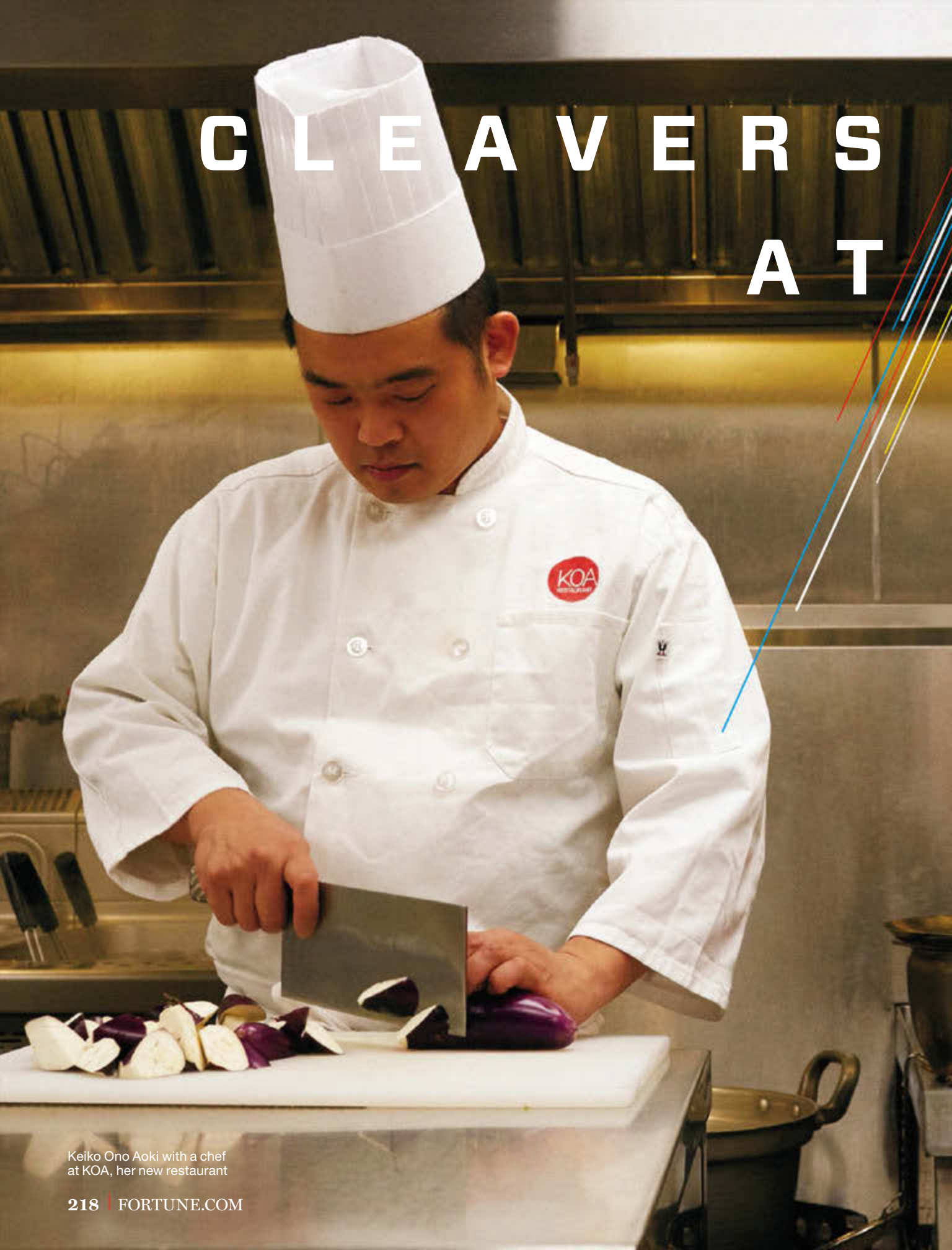
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CLEAVERS AT



Keiko Ono Aoki with a chef at KOA, her new restaurant

TEN PACES

The duels over the Benihana restaurant empire encompass nearly a decade, multiple continents, an inheritance feud between the children of the swashbuckling late founder, Rocky Aoki, and his third wife, Keiko Ono Aoki, and a battle between a private equity firm and Ono. They could teach their chefs a thing or two about how to wield a knife.

By Erika Fry

PHOTOGRAPH BY **REED YOUNG**



If you want to pinpoint the moment when the battle over Benihana escalated from mere belligerence to full-on absurdity, it would be when a federal court issued an injunction to block the Beni Burger. ¶ It was not, to be sure, the first point of contention in the fight over the global restaurant brand, nor the only one to make it to litigation. Other issues still to be resolved by judicial organs include the use of garlic butter, the proper way to beat out a rhythm with salt and pepper shakers, and whether the authenticity of a chain that made its name through "eatertainment"—its red-chef's-hat-wearing tableside cooks are famous for twirling and flipping forks and spatulas while dispensing a stream of corny jokes—is diminished by having hip-hop dancers in chefs' outfits perform in one of its restaurants.





Still, you could say the beef over the Beni Burger is when the fight got personal. The item was conceived by Keiko Ono Aoki, widow of the chain's founder, Rocky Aoki. (We'll refer to her as Ono to avoid confusion.) Her company, Benihana of Tokyo, owns or franchises 18 restaurants from Europe to Asia and also manages the Benihana at the Hilton Hawaiian Village Waikiki hotel. Ono thought that selling a burger—this one is topped with shrimp tempura and special sauce—from a cart near the beach at Waikiki would capture foot traffic and attract some extra lunchtime revenues.

Not so fast, countered Benihana Inc., a separate entity that owns 79 Benihanas in the U.S. and South America—including, awkwardly, the Waikiki restaurant managed by Ono's group. Benihana Inc., which is owned by investment firm Angelo Gordon, contended that Benihana bylaws prohibit something as pedestrian as a burger, that the notion of selling meat on a bun was most un-Benihana, and that Ono was cheapening the brand.

Ono isn't one to be pushed around. She went to court seeking an order to defend her right to sell the Beni Burger—only to lose. How did she react? She kept right on selling the sandwich, now relabeled the Tokyo Burger. Benihana Inc. returned to the court in which Ono had filed her action, and in February 2014 an annoyed-sounding judge issued an injunction forbidding the sale of any burgers—Beni, Tokyo, or otherwise.

It all makes Ono sigh. She was Aoki's third wife and thinks of herself as having his entrepreneurial spirit. (She also dreamed up the idea for the hip-hop dancers, whom she dubbed the Beni Girls.) She sees herself as dedicated to his legacy, and she's particularly irked by the spat over the burger, a product she views as embodying the sort of creative thinking her husband excelled at. As she puts it, "The hamburger is going to hurt the Benihana brand, they say. I don't think so."

Ono dismisses Angelo Gordon as "investment bankers." She adds, "I'm not sure they understand Rocky's concept." Ono is sitting in her airy 34th-floor apartment, which looks down on Saint Patrick's Cathedral in Manhattan. Petite, energetic, and charming, she doesn't look anywhere close to her 59 years. She is attended by a lawyer and her Wheaten terrier, Mugi, which interrupts Ono with even more frequency than the attorney.

A former runner-up for Miss Tokyo, Ono came to the U.S. to make her fortune. As a consultant, she has advised giant corporations such as Bayer and was credited with bringing the Wonderbra to Japan. She also has a history of nasty schisms and litigation in her business ventures.

Ono's clash over the Beni Burger is downright friendly (and recent, having begun in 2013) compared with her ongoing war with six of Aoki's seven children. Two of those younger-generation Aokis are locked in litigation with her for the trust that controls Benihana of Tokyo. That case has been inching its way through the legal system since 2008. (The two litigants are actually the ones who had *better* relations with their dad; four of their siblings and half-siblings were disinherited, and the final one, born out of wedlock, was never in Aoki's will.) The battles, it seems, will continue for years.

As in any dispute, the various parties blame one another:

The kids' betrayals broke Rocky's heart!

No, that schemer Ono broke up the family!

Corporate suits are crushing Benihana's soul!

No, it's Ono who knows nothing about restaurants and is ruining the business!

Not since a different Ono was accused of breaking up the Beatles has one diminutive woman been blamed for so much turmoil. In truth, her late husband bears much of the responsi-

PREVIOUS SPREAD: MAKEUP BY CASSANDRA GARCIA FOR BOBBI BROWN COSMETICS









Clockwise from top left: Aoki surrounded by his chefs; with women at the Benihana powerboat Grand Prix; with his Rolls-Royces; Aoki (standing) after a wrestling victory; the balloon that he flew across the Pacific; one of the speedboats he liked to race

BOAT & AOKI WITH WOMEN: ERIC SCHWEIKARDT—SPORTS ILLUSTRATED; CARS: DANIEL JACINO—NY DAILY NEWS ARCHIVE/GETTY IMAGES; CHEFS, BALLOON, AND WRESTLING: COURTESY OF BENIHANA OF TOKYO

bility. He was the one to divide his empire into separate entities with shared responsibility for the restaurant in Hawaii. That worked well enough when he was at the peak of his power but proved disastrous afterward. And Aoki was the one who repeatedly rewrote his will, sowing confusion and resentment.

It's no revelation that conflict often ensues when a founder leaves a business to a new generation. Nor is it a secret that the presence of a stepmother can rile non-blood relations. But that entropy is multiplied in the case of Rocky Aoki, whose charisma and audacious ability to turn personal PR to his company's advantage make Richard Branson look like a self-denying hermit. Aoki was a striking success, an immigrant who made it onto the cover of *Newsweek*. He created a whole new dining concept, one that drew plaudits in an influential Harvard Business School case study. The problem was that Aoki was a lot better at inventing concepts than he was with more prosaic duties, such as planning and management.

Aoki died in 2008. He spent part of his ailing final years in depositions for the family litigation. He was firmly on Ono's side. Here's what he said about her and his kids (from two previous wives). He testified that they considered her a "gold digger" and mused, "I just simply don't know why they are afraid of my wife. She happens to be a nice person. I think she has more knowledge of running a lot of things and companies. That's probably what they're afraid of. But she was nice to them."

Rocky Aoki came by his showmanship naturally. Raised in Tokyo, he described his dad as a vaudeville performer and a tap dancer; his mom was a professional tango dancer. They ran a restaurant called Benihana, which means "red flower." Rocky played in a rock band called Rowdy Sounds and wrestled for Japan's Olympic team before moving to the U.S., where he wrestled (well enough to win three national titles), went to school, and sold ice cream out of a Mr. Softee truck in Harlem.

By 1964 he had saved $10,000, enough to open a small restaurant in Midtown Manhattan. Japanese food was exotic and rare in the U.S. at the time, so Aoki kept his menu tame; an early Benihana tag line was "No slithery, fishy things." He realized he needed something extra to lure American audiences, which led him to conceive the chefs' lively performances. It was dinner as theater, with cheerful cooks who sliced shrimp with panache, lit onions into fiery "volcanoes," and seasoned it with a dash of humor—all for an intimate audience of eight or so people arrayed around a table that had a grill built into its center.

The experiment took off when a famous New York restaurant critic wrote a glowing review. Aoki, who had been sleeping on the floor of the restaurant's bathroom, was suddenly the toast of the town. To deal with the resulting crush of customers, he opened a second Midtown restaurant and shuttled patrons between them in a Rolls-Royce. By 1972 Benihana had nearly 20 restaurants and profits of $12 million.

From the beginning, Aoki sensed how to use the media to his advantage. He cultivated his fame through a series of publicity stunts undertaken by air, land, and sea—all of them

with the name "Benihana" visible in the largest possible letters. Five-foot-four and full of derring-do, Aoki raced speedboats and hosted the Benihana Grand Prix, which he himself won in 1979, sailing a 38-foot catamaran, and again in 1982. He piloted the first hot-air balloon to cross the Pacific, won the maiden Moscow-to-Milan car rally, and took the title at the 1974 World Leisure Backgammon Championship. He produced Broadway plays, tried to buy the San Francisco Giants, and launched *Genesis,* a porn magazine that still exists.

During this period Aoki fathered seven children with three women. He kept this information on a need-to-know basis: He didn't think the mothers needed to know about one another. His then-wife discovered the existence of his girlfriend and child at Aoki's bedside in a Hawaiian hospital, where he was recuperating from 24 broken bones and other injuries he sustained in a powerboat accident in 1979. (Aoki divorced the wife, with whom he had three children; he then married the girlfriend, had two more kids with her, then divorced her too. His seventh child came from another nonmarital relationship.)

Aoki's relationships weren't the only complicated part of his life: His business began to grow more baroque too. In 1983 he separated his holdings to raise cash for expansion. Aoki's original entity, Benihana of Tokyo, kept 39 restaurants, and the other 11 shifted into what would later be called Benihana Inc. Aoki then sold 49.1% of Benihana Inc. to the public and kept the rest inside his original company. (He tinkered more later: Although Benihana of Tokyo no longer owned U.S. restaurants, Aoki carved out an exception for the rights to manage the Hawaiian restaurant because it was the most lucrative Benihana and he had a sentimental attachment to it.)

There were now two companies, but they continued to operate from the same headquarters, and Aoki remained chairman of both. He was bursting with ideas. As Americans took to sushi in the '80s, Benihana began offering the "fishy" fare it had once avoided. Later it began selling frozen dinners, which thrived—until Stouffer's and Campbell's entered the market and crushed Benihana's offerings.

Aoki brushed off such occasional setbacks. Benihana was healthy, and he was the quintessential glamorous jet setter, with his own trademark look: Jheri curls, mustache, and a comely woman on his arm. Sales continued to rise, from $69 million in 1994 to $100 million in 1998.

Aoki's career had reached its apex. He just didn't know it yet. The fall began with a serious mistake, whose consequences would become more dire over time. In 1999 he pleaded guilty to insider trading after being accused of paying $10,000 for a tip on a stock called Spectrum Information Technologies. He avoided prison, receiving probation and a $500,000 fine instead. The judge acknowledged Aoki's philanthropy and incipient health problems: He was suffering from diabetes and hepatitis C.

Aoki faced one other potentially dire consequence from the case: The revocation of his liquor licenses. To avoid that, he resigned from all his company positions. (He was allowed to remain a paid consultant.) He transferred his interest in Benihana of Tokyo—which, remember, held his 50.9% stake in Benihana Inc.—to a trust, to be managed by three of his children and his personal lawyer.

Aoki had given up the rights to his creation. But he could count on the loyalty of his kids. They'd never let him down, would they?

Ono and Aoki had gotten to know each other through the Japanese community in New York. Her ambitions had taken her from being a secretary for a politician in Japan to becoming an entrepreneur in New York. She moved to Manhattan in 1988 and founded Altesse, which imported and exported jewelry and furs. Ono divorced, then in 1990 added a new partner to Altesse: the prominent, wealthy politician she had worked for in Japan, a former lover with whom she would rekindle a relationship.

It didn't go well. She sued him in 1994, claiming he tried to ruin Altesse and make her financially dependent on him. The suit was settled, according to Joe Manson, a onetime lawyer for Ono who now represents Benihana of Tokyo.

Ono remade herself as a consultant who advised clients—including Starwood Hotels, some lingerie makers, and, in

From left: Aoki's daughter Devon is a model and the former face of Versace; his son Steve is a globe-traveling disc jockey.







Ono and Aoki at a restaurant opening in 2006

2000, Benihana—on doing business in Asia. "Rocky was a very nice guy," says Ono. He was the sort who hated saying no; she would become the person who helped him do that.

Their business relationship blossomed into romance. His kids, mostly adults by then, seemed to like Ono. "I was actually happy he met somebody that he loved," his eldest daughter, Kana, would later testify. She and her siblings liked Ono the girlfriend; Ono the wife would be a different matter.

Aoki had vowed never to marry again, but his resistance evaporated. The two wed without notifying their families—the day was prompted by a divination from Ono's astrologer—at New York's City Hall in 2002.

A few months later the newlyweds met Aoki's two eldest children, Kana and Kevin, for dinner at Babbo, the Manhattan Italian restaurant then frequented by the likes of Leonardo DiCaprio. Ono was expecting wedding gifts and a celebration. Instead, over dessert, Kana suggested her stepmother sign a postnuptial agreement. It was something her father wanted, she later testified. Ono responded that Japanese people don't sign such documents. The discussion grew heated. Through it all, the normally garrulous Aoki sat silent, pretending he couldn't hear what was being said. "He just kept eating," Ono later testified. "It was a very awkward dinner."

That was only the beginning of the maneuvering. The kids' next move was shrewd. They persuaded Aoki to sign an irrevocable amendment to the trust, which would make them its sole beneficiaries. Ono would get nothing from the entity that owned Benihana of Tokyo and the vast majority of Aoki's assets.

The agreement was drafted by Aoki's own lawyer. But almost immediately Aoki began insisting that he had no inkling of what he had agreed to. Now the documents really began to fly. Aoki began revising his will—four times when all was said and done. Each adjustment ceded more control to Ono.

Aoki was growing increasingly exasperated with his kids, several of whom worked for the two Benihana companies. Then came what he viewed as the dagger. In 2004, Benihana Inc.'s board, motivated in part by fears of Ono's future power, issued new stock, thereby reducing the Aoki family stake from 50.9% to 36.5%. Rocky blamed this development on his eldest son, Kevin, who sat on Benihana Inc.'s board and had briefly allied himself with the architects of the plan.

The founder had lost any control of the biggest part of Benihana—and he was devastated. He sued Benihana Inc. but couldn't bring himself to include his son in the suit. By 2006, when three of his children sold more shares and further diluted the trust's holdings, Aoki couldn't take it any longer. He sued them and a fourth child for breach of fiduciary duty and sought to have them removed as trustees. Aoki disinherited the four and accused them of destroying Benihana. In addition, he was barely speaking to two other kids. (A lawyer for the children did not respond to requests for comment.)

The conflict had reached bizarre—and poignant—heights. Aoki no longer consulted for Benihana Inc. and thus had lost that income. Despite the family fracas, he was reduced to asking his estranged children to approve his withdrawing money from the trust he had created out of his own business. He requested $1.5 million on one occasion; they gave him $150,000.

Around this time Aoki executed yet another new will, leaving his assets to Ono's trust, for her to distribute among his descendents as she saw fit. Aoki had managed to reach a place of nearly perfect contradiction: Depending on which document you looked at, two kids were guaranteed Aoki's assets—or Ono could make all the decisions and keep a quarter for herself. Which directive would be deemed valid?

By this point, questions of inheritance were no longer abstract. Aoki had been diagnosed with liver cancer in 2007. He was dying, and everybody knew it.

Aoki not only was estranged from much of his family but also was becoming distant from old friends. Some claimed Ono was controlling access to him, and the Aoki kids blamed their father's actions on her. "He was like a puppet," Kana testified. Asked about her sway, Ono gets particularly animated: "Of course the wife influences the husband! The husband influences the wife! That's why I got married. Even the girlfriend influences. But it's not putting a gun to a head—that's not the relationship we had."

Aoki's health was declining, which delayed the suit against his children. Despite the litigation, he longed to restore peace within the family. In October 2007 he temporarily got his wish: Five of his kids and two grandchildren joined Aoki and Ono for a celebration of his 69th birthday in the private room of an Indian restaurant. For a night they put their grievances aside. The family sang to Aoki and presented him with gifts and cards, which he happily read aloud. Eight months later, in July 2008, Aoki was dead.

Aoki's death altered the balance of power between his children and Ono—in her favor. The trust that had given them

DEVON: COREY SIPKIN—NY DAILY NEWS ARCHIVE/GETTY IMAGES; STEVE: PEDRO FIÚZA—DEMOTIX/CORBIS; KEIKO AND ROCKY: JAMIE MCCARTHY—WIREIMAGE

control of Benihana of Tokyo was terminated when he died. That change meant Aoki's kids were no longer trustees. Once the will went through probate in 2010, Ono became the sole trustee, and she appointed herself CEO of Benihana of Tokyo. (She also inherited Aoki's 2006 case against four of his kids, which remains unresolved.) She set about trying to refresh the operation. She revamped its website and opened new locations in places such as New Delhi and Riyadh.

It didn't take long before she crossed swords with Benihana Inc. The latter had steadily grown through the first years of the new century—till 2008, when, like a lot of businesses, it was pounded by the recession. The company brought in new management, which implemented a renewal program intended to revitalize the brand. Restaurants were spruced up and standardized with new touches, such as red linen napkins and lighting to showcase the Benihana blue-tile roof. The menu was updated to include finer wines and entrées like tofu steak and Colossal Mango Shrimp.

Ono disdained what she viewed as Benihana Inc.'s corporatization and almost instantly began throwing punches. Less than a year into her tenure, she sued for trademark infringement, and the two sides traded suits for unfair trade practices and defamation. In the middle of this, Angelo Gordon bought Benihana Inc. for $296 million in December 2012. (The investment firm, which manages $26.5 billion, responded to questions in writing on condition that the answers not be quoted. Benihana Inc. declined requests for comment.)

Soon after acquiring Benihana Inc., Ono says, Angelo Gordon approached her about buying her out and reuniting the company, which it plans to expand. Ono wasn't interested. She claims the recent Benihana Inc. complaints, which also include quarrels over company websites and the like, are nothing more than attempts to get her to sell. She made that point in a new suit her company filed in December.

That brings us back to the Beni Burgers and the garlic butter. Ono says she was justified in her steps. For example, she allows a choice of butter at the Hawaii location because, she says, Asian tourists don't always like the garlic version. She doesn't see that as a perversion of the Benihana system—which she defines as the chef show at the hibachi table—but as a tweak, like offering more vegetarian options in India, that she is allowed to make to fit the franchise to the location. The proof that her initiatives are working? She says the Waikiki restaurant is more successful than ever. "We have different types of Benihana," says Ono. "Each location should be slightly different." She adds that's only so long as adjustments "don't hurt the Benihana brand."

For all the years of family litigation, a definitive resolution seems far from imminent. One coming ruling could deem two of Aoki's kids, Steve and Devon, the rightful beneficiaries of the trust. But even if they prevail in that case, Ono would remain a trustee—and thus in control of Benihana of Tokyo—until Devon turns 45, which is 13 years away.



A publicity still for the Beni Girls

Another campaign by Steve and Devon may be about to launch, according to Manson, Ono's lawyer. The two are considering a suit to have Ono removed as trustee, Manson says. They will argue she has wasted money flying the Beni Girls around the globe and on litigation, thus not fulfilling her fiduciary duties. If they are successful, she would lose her position as CEO. (Steve and Devon are successful in their own right. Steve is a record producer who tours the world as a DJ. Devon is a model who used to be the face of Versace and is now also a movie actress. The two declined to be interviewed.)

Ono is unfazed. She prefers to talk about happy subjects, and interrupts one interview to show me a YouTube video of the Beni Girls dancing in London's Piccadilly Circus. Later she invites me to a Manhattan noodle restaurant, named KOA after her initials, that she recently opened as her own venture. The evening I visited, Ono was testing the restaurant's Valentine's Day menu. Her scrutiny was exacting. She deemed the pork-belly-wrapped asparagus underseasoned and sent the tempura-battered brownie sundae—her invention, of course—back twice, the first time disappointed by the choice of plate, the second because the raspberry sauce had been drizzled too flamboyantly.

For all her optimism, Ono sometimes feels nostalgic for the old days. Every so often she ventures into enemy territory and eats at the original Benihana on West 56th Street in Manhattan. Only a few of the longtime chefs recognize her, she says, so she is not disturbed. The pilgrimages allow her to commune with the spirit of Rocky, she says.

There are other benefits too. Ono displays a wrinkled cocktail napkin she retrieved on her last visit. It includes a logo that she says infringes on her company's trademarks. "My lawyers," she says, "are going to like this."

COURTESY BENIHANA OF TOKYO

COMPANY SPOTLIGHT

AT **CADENCE**, PEOPLE COME FOR THE INNOVATION AND STAY FOR THE UNIQUE TEAM CULTURE

A corporate turnaround that began in 2009 energized and empowered employees, making them part of a unified team that drives high performance. Now 94% of them give company leadership high marks.



WHEN LIP-BU TAN took over as CEO six years ago, he brought big changes to this San Jose-based global electronic design automation company. He brought in a new executive team and embraced teamwork and a strong focus on innovation and customer success. The company motto became "One Cadence—One Team."

The management change led to a new approach to communication. "Instead of talking at employees, we are in listening mode," explains Tina Jones, senior vice president, Global Human Resources. As part of this focus on open communication, the executive management team conducted small-group roundtable discussions with more than 1,000 employees last year.

In addition to competitive and flexible benefits, Cadence provides five paid days of time off to volunteer, on-site fitness classes, sports teams, a flexible work environment, child and elder backup care, and even college coaches for employees' children. The company encourages professional development, offering tuition reimbursement and 60 hours of annual training. Cadence also invites employees to advance their careers by trying new positions, with over 1 in 10 job postings being filled by current employees, and reinforces company values through a robust recognition program that has rewarded over 90% of employees in the last two years.

The approach has resonated with the company's 6,000 employees. Tan sees employee enthusiasm for innovation and solving customer problems as critical to Cadence's success, as highlighted by five straight years of increasing revenue under his tenure, and a 690% increase in the stock price. Cadence employees—the vast majority of whom are engineers—say that the challenge and opportunity for innovation are major factors in their job satisfaction. Indeed, 40% of employees have been with the company for ten or more years, and the U.S. turnover rate is a low 5%.

That, says Tan, "translates into a company where people come to innovate and influence the future of technology within a dynamic team that feels like family."

A full 40% of new employees come to Cadence through employee referrals. Tan adds, "we are growing, and I hope our talented employees continue to spread the word to their colleagues to come and join us." ● **www.cadence.com**

94%

of employees say they work on great challenges and have exciting opportunities to innovate.

FORTUNE 100 BEST COMPANIES TO WORK FOR 2015

SOURCE: 2014 Great Place to Work.® Trust Index® Employee Survey

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Bright Lights, Big Savings

LED LIGHTING HAS COME INTO ITS OWN, DRIVEN BY INNOVATION AND LOW OPERATING COSTS.



A QUIET REVOLUTION IS TRANSFORMING LIGHTING—a flick of a switch at a time. After a century and a half dominated by Thomas Edison's incandescent bulb, solid-state lighting is coming into its own, replacing a technology that is energy-hungry and generates far more heat than light. LED lights are gradually replacing the old lighting technology, and even fluorescent lighting, because of their tremendous energy savings, their long life, and their precision.

Why? LED lighting, for one, is more energy-efficient than the alternatives; an eight-watt LED lamp will produce as much light as a 60-watt incandescent bulb. This significant energy savings is the greatest driver of the industry's growth as countries around the world have begun to ban incandescent lights and demand that consumers use LEDs to lower energy use.

LEDs were first used for displays in calculators, then in traffic lights. As the technology evolved, so did their use. A significant breakthrough was the blue LED, developed by a Japanese researcher in 1993. That led to bright-white LEDs that are used to illuminate television screens, large outdoor areas, and retail displays for food, high-end jewelry, and other items that need to be seen in accurate color.

But what are LEDs? LEDs (light-emitting diodes) are solid-state devices that emit photons, the units of light. The color of that light is determined by the interaction of different materials in the device.

"INTELLIGENT" LIGHTING

The ability to "tune" colors can also have an impact on human behavior. Philips Lumileds is working with luminaire manufacturers that are exploring "intelligent" lighting that, among other things, can be adjusted throughout the day to maximize worker productivity. "Incandescent lighting has one color," says CEO Pierre-Yves Lesaicherre. "But by mixing LEDs of different colors, you have the ability to control dimmability and color tuning."

Philips Lumileds creates LEDs for a wide variety of applications, from smartphone camera flashes and daytime running lights on new car mod-

THE WORLD LIT UP IN LEDS

Philips Lumileds CEO Pierre-Yves Lesaicherre Sees a Future That Shines.

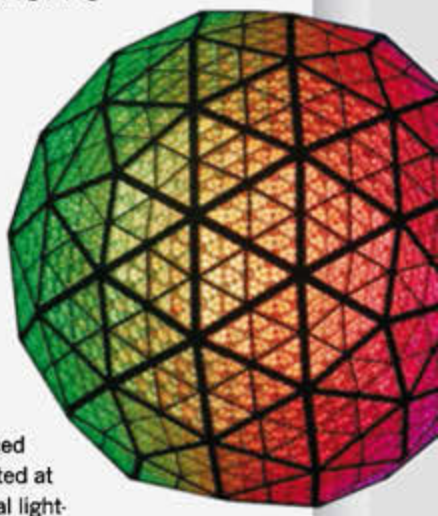


"LED LIGHTING IS AN $8 billion industry now, and will grow to $45 billion by 2018," says Pierre-Yves Lesaicherre, chief executive officer of Philips Lumileds Lighting of San Jose, Calif. It's a projection shared by the industry, and for good reasons.

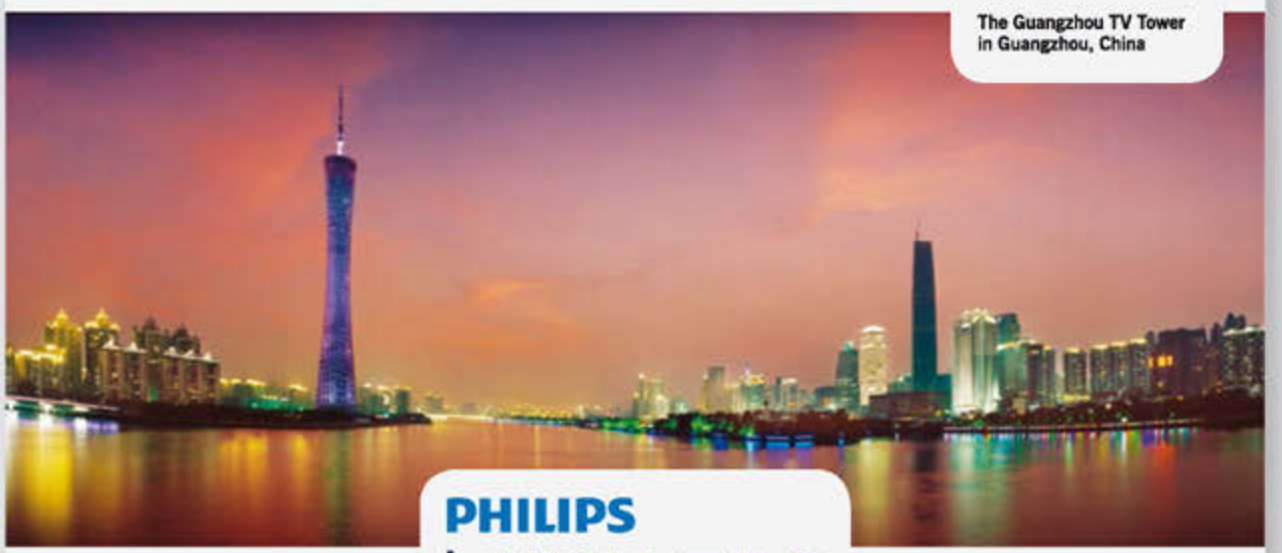
"Energy savings have been a major factor," Lesaicherre continues—and he's the authority on the subject, as Philips Lumileds has led the LED industry for years. The company introduced the first LED used in a consumer product in 1972, not to mention the first LED used in a television screen, turn signals, car headlights—in the Audi R8—and a smartphone camera flash.

And Philips Lumileds is not stopping here, currently improving the efficacy of LEDs at an average of 15% annually. The most recently introduced products use chip-scale packaging, which eliminates the need for external packaging—giving the customer complete design flexibility, thanks to the small form factor.

Improving both efficiency and quality of light, recent developments include the Philips Lumileds Matrix Platform, a turnkey solution for luminaire manufacturers to obtain industry-leading LUXEON LEDs on rigid boards and flexible substrates. This innovation allows for streamlined manufacturing and a higher level of integration. Philips Lumileds also introduced a new line of color LEDs targeted at high-performance architectural lighting—the result of extensive research and development that allows not just fewer devices, but also breakthrough efficacy levels.



Finally, on the subject of outdoor lighting, the icon of all lighting icons shines brightly every year: the New Year's Eve ball in Times Square (above), entirely lit with Philips Lumileds LEDs. Some, like Lesaicherre, see these LEDs as a bright symbol of what's to come in the world of innovations at large, annually, beginning every January 1. ●



The Guangzhou TV Tower in Guangzhou, China

QUANJING (BOTTOM)

PHILIPS
LUMILEDS





The 5,730-foot Bayonne Bridge (above), linking New York and New Jersey. The Harrah's Casino in Cherokee, N.C. (below).

els, to solutions for architectural lighting, parking lots, road lighting, and high-end retail stores.

Even big cities are replacing incumbent outdoor light sources with LEDs. Lesaicherre sees significant industry growth ahead in this arena, driven by both energy savings and regulatory environments. He cites Japan as just one example, where nuclear power reductions after the Fukushima disaster were paired with mandates to reduce energy usage in homes and offices.

"A lot of cities are looking at payback on investment," says Lesaicherre. "When the payback on LEDs was five to six years, municipalities were hesitating. Now we're seeing paybacks of one to two years, and that's driving a lot of projects." The benefits at the municipality level are not just financial: LED lighting is often brighter and of better quality, leading to a significant reduction in petty crime and road accidents.

The consumer market has lagged in LED adoption because, until recently, LED bulbs were costlier than traditional incandescent lighting. But Lesaicherre notes that prices have come down dramatically from the days when an LED lamp cost $20. Now LED lamps are available for under $5, and this is driving consumer sales, he says, along with their longer life span and appealing quality of light.

The LED market is extremely competitive. Philips Lumileds says it invests 10% of its sales on R&D, constantly improving the efficiency and quality of its products. A perpetual imperative is increasing the number of lumens (a measure of light) per watt of power. "When you have 25% more efficacy, you need half the number of LEDs," says Lesaicherre. "Because of the need to drive down the cost, we're also making the LEDs smaller and smaller. The bottom line: We're constantly striving for the highest level of performance and cost innovation."

Pervaiz Lodhie has faced some tricky lighting challenges during his career. He proudly tells the story about the time his company, LEDtronics, was asked to develop a lighting solution for antique paintings hanging in Britain's Windsor Castle. The paintings were in dark hues and conservators worried about the harsh effects of traditional lighting sources; Lodhie's company was able to come up with a light strip that brought out the features and true colors of the paintings without the possibility of damaging them. LEDtronics' LED products have been used for venues as diverse as nuclear submarines, world-class medical institutes, airports, and Broadway shows.

Lodhie, an engineer by training, co-founded the privately held company 31 years ago with his wife and has pioneered the LED industry ever since. By constantly innovating, and maintaining rigorous quality control, LEDtronics, based in Torrance, Calif., continues to lead the field, even against larger rivals. "Whatever I designed yesterday is only good for today," he says. "I have always designed for tomorrow. Thousands of competitors are not able to catch up with me."

Lodhie states bluntly that producers of poor-quality LEDs are one of the big challenges in the industry. Too many imitators simply copy his products, without maintaining the quality of his originals. He says he focused on reliability from the start, because his early customers were military services that insisted on flawless performance.

Many LEDtronics LED products are included in U.S. ship and aircraft instrument panels. "If the LED is made right and used right, it should last forever," says Lodhie. Even Thomas Edison couldn't have imagined a product lasting that long. ●

STEPHEN A. MACK (TOP); PETER MALINOWSKI (BOTTOM)

LIGHT YEARS AHEAD

LEDtronics CEO Pervaiz Lodhie Continues to Pioneer the LED Industry.



MY COMPANY, LEDTRONICS INC., has always enjoyed a well-earned reputation for producing reliable, world-class LED lighting solutions and continues to serve a wide variety of customers in the private, public, and academic sectors. Our clients include 80% of the *Fortune* 500, the U.S. government, the U.S. Department of Defense, leading universities, and many high-visibility venues.

During the last few years, I have seen the LED industry evolve from a technology-driven specialist industry with few players to a market saturated with thousands of "me too" companies selling cheap, low-quality imported LED lights, often with dubious certifications.

Unwary customers who are lured by the false economy of buying the cheapest LEDs will be disappointed with the quality of what they buy. They also face greater long-term expense because of the need for frequent replacement—a case of "buyer beware."

That scenario hurts the LED industry. Customers who buy cheap, imported LEDs are finding that those lights often fail within months, even days, and they are left with the understandable impression that LEDs as a whole are no good, or that it's normal for LEDs to fail frequently. Of course, neither of those conclusions is true. As an example of what should be expected by customers, the LED lighting that we provided for the iconic 1,500-foot span of the Vincent Thomas suspension bridge in Los Angeles Harbor has not experienced a single failure in 10 years.

Now, more than ever, there is a need to educate the public about the LED industry. For the well-informed customer, buying *reliable*, high-quality LED products is a good investment. It typically results in fast ROI, many years of trouble-free service, and all the financial and environmental benefits that reliable LEDs provide.

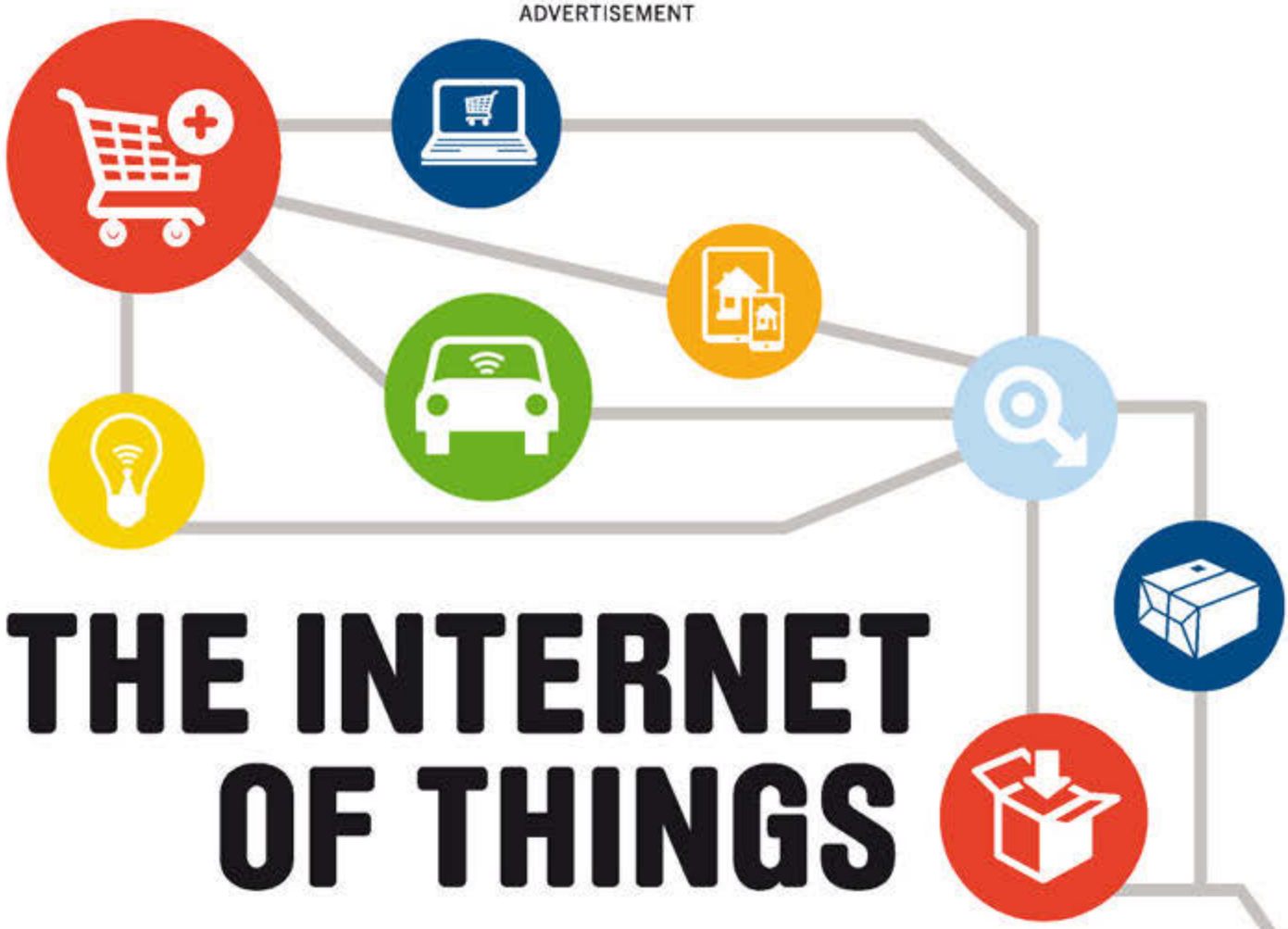
I believe that this is the right time to speak out. We want well-informed, discerning customers who demand quality and reliability in their LED lighting, as they should. And as a trusted consultative partner, with unrivaled expertise, LEDtronics will be there to advise and serve them. ●



The iconic Vincent Thomas Bridge in the world-famous Port of Los Angeles

LEDTRONICS®
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LORETTA CONLEY (BOTTOM)



THE INTERNET OF THINGS

Consumers want their orders delivered with blazing speed. It's the wave of the future—and the road to profits.

THE IDEA IS EVERY CONSUMER'S FANTASY. You place an order for something online—shoes, say—and a few minutes later they show up on your doorstep, at your office, or even at the airport on your way out of town.

Most likely, a courier drops them off, but perhaps it'll be a sleek, six-bladed autonomous drone, which sends you a text to tell you that in three minutes it will swing by with your shoes.

The point is, you have your order—fast. You can avoid a trip to the mall, focus on your work, or play in the yard with the kids, who no doubt will enjoy the arrival of the cargo-laden copter as much as you will. This is the world we're quickly approaching. It's a world that supply chain leader Dematic has made a reality for blue-chip companies around the world, and, by extension, consumers. In an age where gratification is instant and technology evolves at breakneck speed, it's inevitable.

You could say we're a culture of impatient consumers armed with smartphones. Or you could say that this is a sensational new reality—the Internet of Things—in which the once-convoluted, protracted process of bringing people and products together has been honed to an efficient, connected, and hyper-responsive science. That's how any company that truly wants to succeed in retail should view it. Dematic has helped retailers across the globe adapt to consumer buying behavior and evolve the Internet of Things to accommodate demand.

The Atlanta-based group sees vast opportunity for innovation at the intersection of virtual and reality—but only for those willing to embrace potentially radical change. "The Internet enables things to come together, but evolving consumer demand has shifted the power over this exchange away from the manufacturer," says Dematic Global President and CEO Ulf Henriksson. "If you cannot deliver a prod-

uct immediately, consumers will simply move on to the next seller—the one who can. This is the next revolution in the customer supply chain. Retailers now face new competition, driven by the consumer, and companies must respond to it."

This transformation toward the Internet of Things, Henriksson argues, can be traced to urbanization, which instills an expectation of close proximity and immediate accessibility among buyers. It's irrefutably changing the retail landscape. "When they place orders on a website or from their phone, consumers want something to immediately grab the physical product and send it on its way," says Henriksson. "In reality, however, the order trickles a long way down before a product finally starts to move. Dematic designs supply chain solutions that are responsive and expedite fulfillment of orders, enabling companies to keep pace with heightened consumer expectations."

Dematic approaches each challenge with a combination of software and infrastructure improvements. It begins with a conversation with the customer about the scope of change required to create a truly responsive system: Where are the products, how will they be distributed, what are the bottlenecks and challenges? Alterations—or complete restructuring—of the physical supply chain may be required, and a key part of the evolution will be giving personnel at every stage of the process the power to make decisions that optimize the movement of products through the supply chain.

Real-time data, analytics, and dashboards delivered by Dematic proprietary software is game-changing. Henriksson has recruited top talent from leading technology companies to develop software that provides customers with the ability to compress the time from receipt of order to delivery of product. "They've connected the order to the physical good and move it quickly," he says.

DEMATIC

That means, among other things, shifting to a "pull system" instead of a "push system"—extracting the product based on immediate, actual demand from carefully chosen points, rather than a process that simply pushes inventory out based on forecasted demand. "If companies can expand their inventory to include many more local distribution centers, retail stores, or even use delivery trucks as sources of goods, the transit time will progressively reduce to hours and minutes, not days," says Jim Stollberg, Dematic's EVP of research and development.

As the Internet of Things evolves, more new methods of distribution will develop. Henriksson sees companies fine-tuning their support for customers who order the same items frequently, so they arrive just as needed and in the perfect quantities. Companies will also evolve a more active and engaged interaction with social and recreational shoppers—the ones buying black dresses for weekend getaways or the perfect wine for dinner.

We're already deep into the era of instant downloads and mobile shopping, and are entering the era of on-demand 3D printing, which will increase expectations still further. When consumers can literally create a product on their kitchen counter, you see how quickly the bar is being reset. Only retailers with supply chains that are able to respond with speed and accuracy will succeed. Now, more than ever, the first to deliver wins.

For more information, visit www.dematic.com/IOT

The Internet is about information. The physical network is about goods. The Internet of Things bridges the two and is empowered by supply chain solutions designed by Dematic. The company helps retailers around the globe optimize their supply chains to quickly respond to the growing demands of consumers.



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Best to Work For, Yes! But Why?

The most appealing workplaces have common characteristics, such as well-defined enemies. And snacks.

by Stanley Bing



In this issue we once again celebrate the 100 Best Companies to Work For. Some will be delighted by their inclusion. Others—the excluded—will wonder at their absence from this annual honorific. In cogitating over this matter, it occurred to me that there were a few key qualities that would earn a company a Best from me. So I asked my associates at the National Association for Serious Studies® to make an especially serious study of what, precisely, those qualities might be. These are their findings, followed by my winner, based on their research.

Our findings show that the Best Company to Work For must have:

A strong leader. The alternative is a festering stewpot of politics and inefficient group blather resulting in diddly-squat.

A strong hierarchy with a clear reporting structure under the leader. Great business organizations also have a cadre of powerful viziers under the Grand Padano, each of whom is empowered to do what is necessary in the name of the organization. They, in turn, imbue powerful underlings. Thus fear and loyalty in equal measure flow down and create a comforting sense of structure to every individual.

Clear goals that everybody in the organization understands and buys into. Where are we going? What can each of us do to get there? Does each man and woman feel nonfungible?

Accountability for assigned tasks, with clear rewards and punishments for performance. Believe it or not, people like to feel that when they do good, it's noticed—and also when they don't. The punishment of failure (in others) produces happy workers.

Victory always defined and within reach. Honest organizations offer their people targets that can be met, and interesting rewards for those who help meet them. In the old days they called it booty. Today, incentives. Same thing.

A conviction of "rightness." We are doing battle against the forces of [INSERT THING YOU HATE HERE]. Defeating those mothers is what we eat for breakfast!

Camaraderie. One for all and all for one. A common uniform doesn't hurt either. Mine: tie on the East Coast, open collar on the West.

An open-office plan, to facilitate communication and democracy. Hey, working in a big, undefined space without any privacy is nothing new, hipsters. Galley slaves shared benches.

Good food provided on location so that people can keep on with the job. I know a guy who used to rejoice in his 90-minute, two-martini lunches. Now a generous corporate buffet has whittled down his midday meal to 10 minutes at his desk. Think of how happy he must be to be so much more productive.

Plenty of exercise. Many of the Best Companies support healthful pastimes like rooftop field hockey, walks or runs for or against something, etc. Those that can no longer afford to offer executives getaways to exotic locations encourage attendance at boondoggles masquerading as serious conferences.

High stakes, with even a hint of danger. The Best Companies are firing with live ammo.

Money. We all know it's not about the money. But it's not *not* about the money, either.

Now ... drumroll, please! ... Our winner for my Best Company to Work For is an organization that enjoys a strong leader, very clear goals, a truly disruptive vision focused on growth, with high stakes, and when the day is done, it's Stoli time. That's right. I'm talking about Vladimir Putin's team in Ukraine. Congratulations, guys. You should be a case study at Harvard. Runner-up: Google, for the snacks.

Follow Stanley Bing at stanleybing.com and on Twitter at @thebingblog.

This way!

NICHOLAS BLECHMAN

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